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REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION FOR THE YEAR 1995*

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
ACPAQ	Advisory Committee on Post Adjustment Questions
CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
FAO	Food and Agriculture Organization of the United Nations
FEPCA	Federal Employees' Pay Comparability Act (1990)
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
ILO	International Labour Organization
ITU	International Telecommunication Union
OECD	Organisation for Economic Cooperation and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
UNJSPB	United Nations Joint Staff Pension Board
UNJSPF	United Nations Joint Staff Pension Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

GLOSSARY OF TECHNICAL TERMS

Angestellte

Context: German federal civil service. These staff ("public employees") are wage earners and salaried employees who have employment contracts largely determined by collective wage agreements. They are not appointed for life, and they pay contributions to social insurance schemes, such as pension and health insurance schemes.

Average

Context: United States federal civil service/United Nations system salary comparisons. A single number representing a set of numbers, computed such that it is not less than the smallest or larger than the largest number in that set.

- Unweighted average

A simple arithmetic average of all the numbers in the set without regard to their characteristics. Assuming that four different agencies of the United States Government report the following data for economists at the grade equal to United Nations P-4:

Agency	No. of Staff	Salary (Thousands of dollars)
A	50	70
B	5	65
C	4	75
D	10	60

the arithmetic or unweighted or equally weighted average is $67,500.

- Weighted average

In the above example, if the number of employees receiving the salaries is to be used as a factor in calculating the average, then an average weighted by the numbers in the second column can be determined as: (70 x 50 + 65 x 5 + 75 x 4 + 60 x 10)/69, or $68,478. In this example, the actual numbers of staff receiving various salary amounts were used as weights. Some other mathematical functions, such as the log of the numbers of staff could be used to arrive at the log-weighted average.

Base/floor salary scale	For staff in the Professional and higher categories, a universally applicable salary scale is used in conjunction with the post adjustment system. The minimum net amounts received by staff members around the world equal those shown in this scale, called the base/floor salary scale.
Beamte	Context: German federal civil service. These are "professional civil servants". The professional civil service, as an institution, is guaranteed by the German Basic Law. Its purpose is to ensure that public responsibilities are carried out reliably without outside, and in particular political, influence. These staff have a special obligation of loyalty to the employer and the constitution; they also have special rights such as life appointments and welfare benefits which are provided by the State to them and their families.
Broad banding	Reduction of the overall number of grade levels within wider pay ranges (bands).
Common classification of occupational groups (CCOG)	A set of definitions for individual occupations covering jobs typically found in the common system and a schema for coding each occupation.
Comparator	Salaries and other conditions of employment of staff in the Professional and higher categories are determined in accordance with the Noblemaire principle by reference to those applicable in the civil service of the country with the highest paid levels. The United States federal civil service has been used as the comparator since the inception of the United Nations.
Consolidation of post adjustment	The base/floor salary scale for the Professional and higher categories is adjusted periodically to reflect increases in the comparator salary scale. This upward adjustment is made by taking a fixed amount of post adjustment and incorporating or "consolidating" it in the base/floor salary scale. If the scale is increased by consolidating 5 per cent of post adjustment, the post adjustment classifications at all duty stations are then reduced by 5 per cent, thus ensuring, generally, no losses or gains to staff.

Cost-of-living adjustment/ differential	In net remuneration margin calculations, the remuneration of United Nations officials in the Professional and higher categories in New York is compared with their counterparts in the comparator service in Washington, D.C. As part of that comparison, the difference in cost of living between New York and Washington, D.C., is applied to the comparator salaries to determine their "real value" in New York. The cost-of-living differential between New York and Washington is also taken into account in comparing pensionable remuneration amounts applicable to the two groups of staff mentioned above.
Dependency rate salaries	Net salaries reflecting the allowance for a primary dependant.
Dominance	Context: average salaries. When the average of a number of salaries is significantly influenced by a particular salary amount the average is said to be "dominated" by that salary amount.
Federal Employees' Pay Comparability Act (FEPCA)	The Federal Employees' Pay Comparability Act (1990) passed by the United States Congress whereby the pay of federal civil service employees would be brought to within 5 per cent of private sector comparator pay over a period of time.
Flemming principle	The basis used for the determination of conditions of service of the General Service and other locally recruited categories of staff. Under the application of the Flemming principle, General Service conditions of employment are based on best prevailing local conditions.
General Schedule	A 15-grade salary scale in the comparator civil service, covering the large majority of staff members.
Grade equivalencies	A comparison of United Nations system grades P-1 to D-2 with the corresponding grades in the comparator service is carried out by the Commission once every five years. The results of those comparisons provide an indication of the comparator grade(s) that are equivalent in terms of job content to a particular United Nations grade.

Group I duty stations	Context: post adjustment system. Group I duty stations are locations in the Western European countries, the United States, Canada, Japan, Hong Kong, the Republic of Korea, Australia and French Guiana. All other duty stations are in group II.
Group of 18	The Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations established by the General Assembly in 1985. The Group submitted its report to the Assembly at its forty-first session (A/41/49).
Highest-paid civil service	Under the application of the Noblemaire principle, salaries of United Nations staff in the Professional and higher categories are based on those of the highest-paid civil service, currently the United States federal civil service. For further details, see "Comparator".
Income replacement ratio	The ratio of pension to average net salary received during the same three-year period used in the determination of the pension benefit.
Language factor	Adjustment made to the local salary scale for the General Service staff at a given headquarters location to account for the fact that the local language is not a working language of the United Nations organization(s), and staff are required to work in a language other than the local language.
Language incentive	For staff in the Professional and higher categories. Measure designed to promote linguistic balance in an organization; takes the form of an accelerated within-grade increment.
Mobility and hardship allowance	A non-pensionable allowance designed to encourage mobility between duty stations and to compensate for service at difficult locations.

Net remuneration margin	The Commission regularly carries out comparisons of the net remuneration of the United Nations staff in grades P-1 through D-2 in New York with that of the United States federal civil service employees in comparable positions in Washington D.C. The average percentage difference in the remuneration of the two civil services, adjusted for the cost-of-living differential between New York and Washington is the "margin".
Noblemaire principle	The basis used for the determination of conditions of service of staff in the Professional and higher categories. Under the application of the principle, salaries of the Professional category are determined by reference to those in the country with the best-paid national civil service.
Out-of-area index	In arriving at the post adjustment relativities between New York (the base of the system) and other duty stations, separate account is taken of expenses incurred by staff at their duty station and also those incurred outside the duty station. The first group of expenditures is termed the "in-area" component and is adjusted between place-to-place surveys by local inflation and currency fluctuations. The second group is termed the "out-of-area" component and is adjusted by a global out-of-area index based on inflation in a selected group of countries calculated in terms of United States dollars.
Pay index	An index indicating the amount of remuneration (base salary plus post adjustment) paid at a duty station as a percentage of net base salary. If the multiplier at a duty station is 20, then the pay index is 120. For a duty station where only the net base salary is paid (i.e. multiplier 0), the pay index is 100.
Pensionable remuneration	The amount used as the basis for effecting contributions from the staff member and the organization to the United Nations Joint Staff Pension Fund (UNJSPF). Pensionable remuneration amounts are also used for the determination of pension benefits of staff members upon retirement.

Performance management	A set of integrated measures (including organizational design and the planning and development of human resources) that serve to achieve the goal of improved overall performance.
Place-to-place survey	Survey to compare living costs between a given location and the base city, at a specified date.
Post adjustment classification	Post adjustment classification is based on the cost-of-living as reflected in the respective post adjustment index for each duty station. The classification is expressed in terms of multiplier points. Staff members at a duty station classified at multiplier 5 would receive a post adjustment amount equivalent to 5 per cent of net base salary as a supplement to base pay. The pay index at this duty station would be 100 + 5 or 105.
Post adjustment index	Measurement of the living costs of international staff members in the Professional and higher categories posted at a given location, compared with such costs in New York at a specific date.
Post adjustment multiplier	Post adjustment multipliers specify the additional amounts of remuneration above base salary which may be payable to reflect the post adjustment classification for a duty station. Multipliers are specified in terms of individual points which are equivalent to percentage amounts of base salary. Thus 5 multiplier points equate to 5 per cent of base salary; 50 points to 50 per cent.
Rental subsidy threshold	The rental subsidy threshold at a given duty station is indicative of the average rent taken into account in determining the post adjustment classification of the duty station.
Scaling forward	See annex XII.
Senior Executive Service (SES)	Officials of the comparator service in senior managerial positions are covered by provisions known as the Senior Executive Service schedule.
Separation payments	Upon separation from service, staff may receive compensation for one or more of the following: accumulated annual leave, repatriation grant, termination indemnity, death grant.

Seventy-fifth percentile	Context: salary data used for comparisons. Under this method, salaries are ranked in the order of magnitude. A salary figure which is higher than 75 per cent of the salaries and lower than 25 per cent of the salaries is used for comparison purposes.
Single rate salaries	Net salaries determined for staff without a primary dependant.
Special index for pensioners	Context: pension adjustment system. In countries where upward adjustments to pensions are made in accordance with the pension adjustment system, a comparison is made between taxes on pensions and the United Nations staff assessment rates. If the taxes on pensions are lower than the staff assessment rates, the difference is calculated in terms of a special index for pensioners. The actual upward adjustment to initial pensions is made after taking into account the cost-of-living difference and the special index for pensioners.
Special pay systems	Under the salary system for the United States federal civil service, staff of some federal agencies or in specific occupational groups may be paid according to pay scales applicable to those agencies or occupations, as appropriate. These pay-scales, known as special pay systems, are used in cases of demonstrated recruitment and retention difficulties or to account for such other factors as undesirability of the workplace, etc.
Staff assessment	Salaries of United Nations staff from all categories are expressed in gross and net terms, the difference between the two being the staff assessment. Staff assessment is an internal United Nations form of "taxation" and is analogous to taxes on salaries applicable in most countries.
Stratified sample	For practical reasons, the behavioral pattern of a large group cannot be studied by reference to each individual member of that group. In such cases, the study is often based on the behavioral pattern of a small subgroup or a "sample" as a proxy. This is known as sampling technique. Stratified sampling is a variation of this approach, in which the group is first divided into subgroups in such a way that each subgroup has similar characteristics.

	A sample of these subgroups is then selected on a random basis.
Supplementary payments	A practice of some Member States to supplement the salaries of some or all of their nationals in the service of the United Nations common system.
Time-to-time adjustment	Context: post adjustment index. Post adjustment indices resulting from place-to-place surveys (see above) are adjusted on a "time-to-time" basis between such surveys to account for inflation and currency fluctuations.
United States Pay Agent	A body (comprising the Secretary of Labor, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management) that advises the President of the United States of America on annual salary adjustments of federal civil service employees.

LETTER OF TRANSMITTAL

5 September 1995

Sir,

I have the honour to transmit herewith the twenty-first annual report of the International Civil Service Commission, prepared in accordance with article 17 of its statute.

I should be grateful if you would submit this report to the General Assembly and, as provided in article 17 of the statute, also transmit it to the governing organs of the other organizations participating in the work of the Commission, through their executive heads, and to staff representatives.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

(*Signed*) M. BEL HADJ AMOR
Chairman

His Excellency Mr. Boutros Boutros-Ghali
Secretary-General of the United Nations
New York

SUMMARY OF RECOMMENDATIONS THAT CALL FOR DECISIONS BY THE GENERAL ASSEMBLY

Paragraph reference

Remuneration of the Professional and higher categories

89 (b) 1. The Commission decided to report that the General Assembly may wish to consider reconfirming the continued applicability of the Noblemaire principle based upon: (a) the use of periodic checks to determine the highest-paid civil service; and (b) the use of a margin range that is appropriate in relation to the value of expatriate benefits.

172 (b)(iii) 2. The Commission decided to report that, in view of the request of the General Assembly to examine all aspects of the application of the Noblemaire principle, with a view to ensuring the continued competitiveness of United Nations common system remuneration, the superior conditions of the German civil service *vis-à-vis* those of the United States federal civil service could be considered as a reference point for margin management.

268 3. The Commission decided to recommend to the General Assembly that:

(a) The 115 desirable mid-point of the United Nations/United States net remuneration should be restored in 1996;

(b) The net remuneration increase required to restore the mid-point should be attained by:

(i) Application of the base/floor salary scale shown in annex X without consolidation of post adjustment with effect from 1 March 1996;

(ii) A scaling forward of all post adjustment indices as of 1 July 1996 by 5.1 per cent;

(c) The results of the study to identify the best paid national civil service and of the reference studies with regard to other international organizations should be reviewed by the General Assembly to determine which of the diverse views expressed in the Commission with regard to the need for further improvements in competitiveness, such as use of an expanded margin range, might reasonably be supported.

Paragraph
reference

319 4. In the context of the methodology to implement the request of the General Assembly in resolution 48/224, part II, section G, that the Commission ensure that place-to-place surveys conducted for all headquarters duty stations were fully representative of the cost of living of all staff working at the duty station, the Commission seeks the General Assembly's guidance as regards the following alternative approaches on the basis of the conclusions outlined under paragraphs 319 (a) through (f):

(a) To establish a single post adjustment index for Geneva based on the pricing surveys conducted where staff were actually living (i.e., in the city of Geneva, elsewhere in the Canton of Geneva or in the Canton of Vaud and in contiguous France), weighting those data, as was done in respect of New York City or other headquarters duty stations;

(b) To establish two post adjustment indices in respect of persons working in Geneva: (i) one for those residing in Geneva or elsewhere in Switzerland and (ii) another for those residing in France.

SUMMARY OF RECOMMENDATIONS TO THE EXECUTIVE HEADS OF THE PARTICIPATING ORGANIZATIONS

Remuneration of the General Service and other locally recruited categories

As part of its responsibilities under article 12, paragraph 1, of the ICSC statute, the Commission conducted surveys of best prevailing conditions of employment for:

(a) The General Service, Trades and Crafts, Security Service, Language Teachers and Public Information Assistants categories in New York and recommended salary scales and rates of dependency allowances resulting from these surveys to the Secretary-General of the United Nations;

(b) The General Service staff of all organizations of the United Nations common system at Geneva, as well as the language teaching staff of the United Nations and recommended the resulting salary scale and rates of dependency allowances to the Secretary-General in his capacity as the executive head of the lead organizations;

(c) The General Service and related categories at Rome and recommended the resulting salary scale and rates of dependency allowances to the Director-General of the Food and Agricultural Organization of the United Nations.

SUMMARY OF FINANCIAL IMPLICATIONS OF THE COMMISSION'S DECISIONS AND ITS RECOMMENDATIONS FOR THE UNITED NATIONS AND PARTICIPATING ORGANIZATIONS

(for all sources of funds)

Paragraph
reference

A. Remuneration of the Professional and higher categories

1. Restoration of the net remuneration margin at the mid-point of the margin range

267 The financial implications of the Commission's recommendations that the 115 desirable mid-point of the United Nations/United States net remuneration should be restored in 1996 by (a) application of the base/floor salary scale shown in annex X without consolidation of post adjustment with effect from 1 March 1996 and (b) a scaling forward of all post adjustment indices as of 1 July 1996 by 5.1 per cent, are estimated at $154.9 million per annum. As a result of the implementation of the base/floor salary scale in annex X, additional expenditures associated with the elements listed under paragraphs 267 (a) (ii) through (v) would also be incurred. The financial implications associated with these elements are estimated at $2.527 million per annum. Thus the total financial implications of the Commission's recommendations under paragraphs 268 (a) and (b) are estimated at $157.4 million per annum. As the base/floor salary scale and the increase of 5.1 per cent through the post adjustment system are recommended for implementation effective 1 March and 1 July 1996, respectively, the estimated financial implications for 1996 would be $103.6 million.

2. Treatment of pension contribution in place-to-place and time-to-time adjustments of the post adjustment indices

279 As a result of the Commission's decision to use actual pension contributions in time-to-time adjustments of the post adjustment index with effect from 1 November 1995, the slight under-estimation of post adjustment indices at all duty stations and the associated under-expenditure on post adjustment on the part of the Member States, estimated at some $4 million for each year on a cumulative basis, would cease. This corrective action was estimated at approximately $17 million for the year 1995-1996 and at $3.6 million per annum thereafter.

3. Out-of-area component for group I duty stations

293 As a result of the Commission's decision to use the actual out-of-area weights in post adjustment index calculations for all group I duty stations, savings amounting to approximately $10 million per year would accrue to Member States after July 1996.

Paragraph
reference

B. Remuneration of the General Service and other locally recruited categories

1. Surveys of best prevailing conditions of employment for the General Service and related categories at New York

339 The financial implications associated with the implementation of the salary scales for the General Service, Public Information Assistants and Language Teachers as well as the revised rates of dependency allowances for all locally recruited categories of staff in New York arising from the surveys conducted by the Commission are estimated at $4.5 million per annum. As a result of the implementation of the scales resulting from the surveys for the Trades and Crafts and the Security Service categories, some reduction in expenditure may be expected in the future. However, the exact amount of those reductions cannot be estimated.

2. Surveys of best prevailing conditions of employment for the General Service staff of all organizations and the language teaching staff of the United Nations at Geneva

341/342 The salary scales resulting from the surveys of best prevailing conditions of employment carried out by the Commission for the above-mentioned categories of staff were 7.4 and 1.3 per cent below the current scales in effect since 1 January 1994 for the General Service and the language teaching staff of the United Nations, respectively. As a result of this, significant reduction in expenditures may be expected in the future. However, the precise estimate of future reduction in expenditures cannot be provided as this will depend on the procedure used for the implementation of the recommended scales as well as the effective date.

3. Surveys of best prevailing conditions of employment for the General Service and related categories at Rome

345 As part of its consideration of the above-mentioned survey, the Commission decided that the adjustment for the language factor in the Rome General Service salaries should be phased out over a period of time. With the complete phasing out of the adjustment for this factor as of 1 November 1996, reduction in expenditures amounting to some $3.3 million per annum are anticipated.

Chapter I

ORGANIZATIONAL MATTERS

A. Acceptance of the statute

1. Article 1 of the statute of the International Civil Service Commission (ICSC), approved by the General Assembly in its resolution 3357 (XXIX) of 18 December 1974, provides that:

> "The Commission shall perform its functions in respect of the United Nations and of those specialized agencies and other international organizations which participate in the United Nations common system and which accept the present statute ...".

2. To date 12 organizations have accepted the statute of the Commission and, together with the United Nations itself, participate in the United Nations common system of salaries and allowances. Two other organizations, although not having formally accepted the statute, have participated fully in the Commission's work.

B. Membership

3. At its forty-ninth session, by its decision 49/313 of 14 November 1994, the General Assembly reappointed the following five members of the Commission to four-year terms of office commencing 1 January 1995: Mr. Mohsen Bel Hadj Amor (Tunisia), Mrs. Turkia Daddah (Mauritania), Mr. André Xavier Pirson (Belgium), Mr. Jaroslav Riha (Czech Republic) and Mr. Carlos S. Vegega (Argentina).

4. The membership of the Commission for 1995 is as follows:

Mr. Mohsen Bel Hadj Amor (Tunisia)*** (Chairman)
Mr. Mario Bettati (France)**
Mr. Alexander V. Chepourin (Russian Federation)*
Mrs. Turkia Daddah (Mauritania)***
Mr. Humayun Kabir (Bangladesh)*
Ms. Lucretia Myers (United States of America)**
Mr. Antonio Fonseca Pimentel (Brazil)**
Mr. André Xavier Pirson (Belgium)***
Mr. Jaroslav Riha (Czech Republic)***
Mr. Ernest Rusita (Uganda)*
Mr. Missoum Sbih (Algeria)*
Mr. Alexis Stephanou (Greece)**
Mr. Ku Tashiro (Japan)**
Mr. Carlos S. Vegega (Argentina)*** (Vice-Chairman)
Mr. Mario Yango (Philippines)*

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* Term of office expires 31 December 1996.
** Term of office expires 31 December 1997.
*** Term of office expires 31 December 1998.

C. Sessions held by the Commission and questions examined

5. The Commission held two sessions in 1995: the forty-first, which took place from 1 to 19 May at the headquarters of the International Civil Aviation Organization (ICAO) in Montreal, and the forty-second, which took place from 24 July to 14 August at United Nations Headquarters in New York.

6. At those sessions, the Commission examined issues that derived from decisions and resolutions of the General Assembly as well as from its own statute. A number of decisions and resolutions adopted by the Assembly that required action or consideration by the Commission are discussed in the present report.

D. Subsidiary body

7. The Commission's Advisory Committee on Post Adjustment Questions (ACPAQ) held its nineteenth session at United Nations Headquarters in New York from 13 to 20 March 1995. It consisted of the following members: Mr. Carlos S. Vegega (Argentina), Vice-Chairman of the Commission and Chairman of the Committee; Mr. Emmanuel Oti Boateng (Ghana); Mr. Youri Ivanov (Russian Federation); Mr. Yuki Miura (Japan); Mr. Hugues Picard (France); and Mr. Rafael Trigueros Mejía (Costa Rica).

E. Staff participation

8. Under rule 37 of the Commission's rules of procedure, representatives of the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee for International Staff Unions and Associations of the United Nations system (CCISUA) may attend meetings and may address the Commission on any matters on its agenda.

9. FICSA withdrew from the Commission following the Commission's fortieth (summer 1994) session. At the beginning of the forty-second (summer 1995) session, CCISUA informed the Commission that its continuing participation in the work of ICSC would depend on the outcome of three items: the consultative process; remuneration of the Professional and higher categories; and the salary survey methodology for staff in the General Service and related categories. However, during the course of the latter session, on 7 August 1995, the Vice-President of CCISUA informed the Commission that CCISUA had decided not to continue its participation in the Commission's deliberations at that session, following the decisions taken by the Commission on the first two items referred to above. As for the third item, CCISUA was certain that the results of the salary surveys conducted without the participation of staff, who contested the methodology, would be considered valid. Subsequent to that announcement, which is summarized in annex I to the present report, CCISUA was present only during discussions on post adjustment.

Chapter II

ACTION TAKEN IN RELATION TO RESOLUTIONS AND DECISIONS OF THE GENERAL ASSEMBLY AND THE LEGISLATIVE/GOVERNING BODIES OF OTHER ORGANIZATIONS

A. General Assembly resolution 48/224 of 28 December 1993

10. The Commission's consideration of the Assembly's request in section II.G of the resolution to ensure that place-to-place surveys conducted for all headquarters duty stations were fully representative of the cost of living of all staff working in the duty station is reported in paragraphs 298 to 319 below.

B. General Assembly resolution 49/223 of 23 December 1994

11. The Commission took action on the following matters addressed in General Assembly resolution 49/223:

(a) Section II. The Commission's consideration of, and decisions in response to, the Assembly's request to review with all urgency how the consultative process of the Commission can best be furthered is reported in paragraphs 13 to 56 below;

(b) Section III.A. The Assembly, recalling its resolution 47/216, section II.C, requested ICSC to proceed with all urgency with its study of all aspects of the application of the Noblemaire principle and all other related studies which were outstanding; the Commission's consideration of this item is reported in paragraphs 57 to 268 below. The Assembly also took note of the Commission's decision to proceed to a phase II study of the national civil services of Germany and Switzerland in the context of determining the highest-paid national civil service; the Commission's consideration of this item is reported in paragraphs 122 to 172 below;

(c) Section III.B. The Assembly recalled its resolution 46/191 A, section IX, resolution 47/216, section II.G, and resolution 48/224, section II.B, in which it had respectively requested the Commission to keep under review the structure of the salary scale at all levels of the Professional and higher categories, taking into account, *inter alia*, the overall level of the margin as established by the Assembly and the imbalance between the margin levels for different Professional grade levels and further requested the Commission to address the imbalance in the United Nations/United States remuneration ratio in the context of overall margin considerations. The Commission's consideration thereof is reported in paragraphs 198 to 223 below;

(d) Section IV.A. The Assembly requested ICSC to proceed with the current round of General Service salary surveys at headquarters duty stations and, in its review of the General Service salary survey methodology, to consult fully with all parties concerned, including the staff representatives. The Commission's consideration of this item is reported in paragraphs 325 to 335 below.

C. Resolutions and decisions adopted by the legislative/governing bodies of other organizations

12. Information was provided to the Commission on actions taken by the governing bodies of organizations other than the United Nations on matters relevant to the programme of work of the Commission.

D. Consultative process of the Commission

13. At its forty-ninth session (1994), the General Assembly, in section II, paragraph 5 of its resolution 49/23, requested the staff bodies, the organizations and ICSC "to review with all urgency how the consultative process of the Commission can best be furthered and to report thereon to the General Assembly". Three previous requests from the Assembly (1987-1989) relating to the functioning of ICSC had led to a number of reforms and improvements aimed at increasing the transparency of the Commission's deliberations and reports. A summary of the Commission's considerations to date of its functioning and working methods is contained in annex II to the present report.

14. The Commission took up the most recent Assembly request at both its forty-first and its forty-second sessions. As a means of furthering the consultative process, it examined a series of recommendations designed to enhance effectiveness presented by the ICSC secretariat, the Consultative Committee on Administrative Questions (CCAQ) and the staff representatives. It also looked at structural alternatives put forward by the interlocutors.

15. At the forty-first session, in a departure from the usual working methods of ICSC, members attended an informal meeting organized by CCAQ, which was also attended by FICSA and CCISUA. That arrangement enabled the interlocutors to express their ideas in a preliminary manner in a less formal setting and facilitated the attendance of FICSA, which had suspended its participation in the Commission following the fortieth session. At the forty-second session, FICSA declined a similar invitation by the ICSC Chairman to attend an informal meeting to explore ways in which the consultative process could be furthered.

16. In the interval between the two ICSC sessions, in June 1995, CCAQ held a special meeting of senior CCAQ administrators which dealt, inter alia, with the consultative process. The ICSC Chairman had received an invitation to participate in a one-hour exchange of views with the meeting participants, but it had been concluded that that would not allow for a meaningful discussion of the issues. He therefore had not attended the meeting, indicating that ICSC would have preferred to have been more fully and openly associated with the review of issues that directly affected the Commission.

17. Several proposals to improve the effectiveness of the functioning of the Commission were put forward by the ICSC secretariat, CCAQ and staff representatives. Those proposals that were endorsed by the Commission are dealt with in paragraphs 37 to 50 below.

Views expressed by the organizations

18. The Chairman of CCAQ informed ICSC that CCAQ had carried out an in-depth review and come forward with a series of ideas and proposals for change. They were designed (a) to make ICSC a responsive and cost-effective entity and (b) to limit the criticism that ICSC was increasingly acting in response to the General Assembly to the exclusion of other governing bodies or other consultative

partners. Those proposals had been endorsed at the June meeting of senior CCAQ administrators and subsequently by the executive heads. The matter would be further pursued with the Administrative Committee on Coordination (ACC) at its second regular session later in 1995. CCAQ anticipated that ACC would request the General Assembly to take action on the structural aspects of the functioning of the Commission.

19. Three alternatives for structural reform had been considered at the meeting of senior administrators; each of them was designed to enhance the tripartite nature of ICSC. The alternatives were: (a) the creation of a tripartite body made up of members appointed by each of the three consultative partners - Member States, executive heads and staff; (b) within the terms of article 4 of the ICSC statute, the revision of the selection process so as to provide for nominations for a defined number of seats directly from the executive heads (three) and staff bodies (two); and (c) also within the terms of article 4, the creation of a tripartite search mechanism for the early identification and screening of all candidates meeting a predetermined profile. Under the latter two alternatives, members of the Commission would continue to be appointed by the General Assembly as was the current practice.

20. CCAQ considered that there was a crisis of confidence with the Commission. ACC needed to engage more actively in the selection of Commission members and to ensure the appointment of members who had the qualifications to bring state-of-the-art personnel management concerns into the Commission. CCAQ considered that the terms of appointment of members of the Commission should be limited to two four-year terms. The terms of the full-time members, i.e., the Chairman and Vice-Chairman, should be restricted to one four-year term, after which they could serve as members for a second four-year term. Given the mandate of ICSC and the delicate nature of its consultative arrangements, it was essential to de-link the election process for ICSC from that of other subsidiary bodies of the General Assembly; standard electoral arrangements were not appropriate. Greater consultation with all interested partners was crucial.

21. Regardless of which structural alternative was preferred, CCAQ believed that the current arrangements relating to the nomination and appointment of expert bodies to provide technical advice to the Commission should also be revised. CCAQ favoured the establishment of a second technical advisory body in addition to the Advisory Committee on Post Adjustment Questions, to be made up of highly qualified specialists in human resources management. The emphasis would be on obtaining the services of experts of the very highest technical excellence.

Views of the staff representatives

22. At the forty-first session, during the informal meeting referred to above, the General Secretary of FICSA grouped the Federation's views as to the causes of the current impasse and possible remedies under five points: (a) a description of the problem; (b) the historical perspective; (c) major weaknesses in the current consultation process; (d) the feasibility of collective bargaining; and (e) a compromise/interim proposal for the better functioning of ICSC that envisaged a tripartite Commission structured along the lines of the United Nations Joint Staff Pension Board (UNJSPB).

23. FICSA saw the problem as the failure of the common system to implement the International Labour Organization (ILO) conventions on freedom of association and collective bargaining and provide for the establishment of negotiating bodies. In 1979, FICSA had adopted a resolution on collective bargaining,

providing for direct negotiations between employers and employees. FICSA considered that the weaknesses in the current consultative process were inherent in the Commission's statute and stemmed, inter alia, from the fact that ICSC reported only to the General Assembly and not to the legislative bodies of the other organizations. It was FICSA's view that a handful of Commission members followed the political agenda of the General Assembly, thereby politicizing ICSC. Lastly, FICSA considered that the Commission was too costly and cited in that regard the legal costs involved in appealing ICSC decisions in the administrative tribunals of the system.

24. The President of CCISUA said that CCISUA considered that the Commission had abdicated its statutory role as a technical body. At the time of ICSC's establishment, it had been felt that an independent and impartial body was needed to act as a buffer between the staff and organizations and Member States. Subsequently, as financial constraints became increasingly pressing, the Commission had become increasingly politicized. This was at odds with the original intent of the statute and made a mockery of the consultative process. The Commission's role was to give technical advice and leave political (financial) decisions to the General Assembly. Problems with overall remuneration levels were only a symptom of where the system had gone wrong. There were much deeper problems that went to the heart of the functioning of the Commission. CCISUA believed that the only way to improve the current situation was for the process to be opened up to general scrutiny. This would provide for a measure of transparency that was currently lacking.

25. The proliferation of increasingly complex issues gave the secretariat of the Commission enormous weight in the consultative process. More attention should have been paid in past reviews to the influence exerted by the secretariat on the entire process. Whatever was missing or flawed in the secretariat's technical analyses remained in most cases unrectified. Late submission of documentation prevented an in-depth analysis of the issues concerned by all the parties. Crucial points were often dealt with in one sentence that was meaningless to the lay person and often hid a major aspect of the question involved.

26. CCISUA believed that longer-term changes needed to be implemented to make a substantive difference. They included: (a) a certain proportion of members of the Commission should be elected by organizations and staff; (b) the Chairman and Vice-Chairman should be elected by Commission members on a rotating basis; (c) a certain proportion of ICSC members should come from the statistical offices of their respective countries; (d) elections to ICSC should be separated from those to other bodies; (e) the establishment of a tripartite body should be seriously considered.

27. CCISUA expressed disappointment with the secretariat's proposals at the forty-second session which, in its view, focused on how to improve the process rather than its consultative aspects. Regrettably, no attempt had been made in the secretariat's document to address most of the issues raised at the previous session by the interlocutors. In this connection, CCISUA did not welcome the proposal related to the length and timing of sessions which in CCISUA's view had little merit. CCISUA was not convinced that holding one substantive session instead of two would further the consultative process. The CCISUA President doubted that the change proposed would give the secretariat enough time to carry out consultations with organizations and staff and to submit documents well in advance of the session, which was the rationale behind the proposal. Under current arrangements, there was an interval of at least seven months between sessions; yet there had never been any consultations with the staff and

documents always appeared at the last minute. She also stressed that preparation and adoption of a sessional report after the session was over was very dangerous. CCISUA had had problems with reports even when they were adopted during a session. The arrangement proposed would exacerbate this situation.

Consideration by the Commission

28. ICSC recalled at the outset that the current review was but the latest in a series of reviews of its processes and working methods that had been ongoing more or less since 1987.

29. It was noted that the ideas and proposals presented by the organizations and staff fell broadly into two categories: changes in the structure of ICSC, and procedural measures designed to improve effectiveness. The Commission's interpretation of the General Assembly's request, which referred to the consultative process "of the Commission", was that it had been made with the current structure and framework in mind. The proposals for structural change advanced by CCAQ and the staff bodies went beyond the current ICSC mandate. The Commission none the less considered that, based on the knowledge of its own working methods and experience, it should apprise the Assembly of its views on those structural proposals; moreover, it would not wish its silence thereon to be misconstrued.

30. The Commission prefaced its remarks on the structural alternatives wich some comments on its alleged politicization. ICSC did not at all accept that it was beholden to the General Assembly. While its interlocutors considered the Commission politicized, others, including the members, considered ICSC an unbiased body of technical experts. Since ICSC members were the only neutral parties, having no vested interest or constituency, it was difficult to see how such arrangements would decrease the alleged politicization of the process. Rather, the reverse appeared likely. In the Commission's view, such allegations tended to be linked to the outcome of a particular question and the position of the various parties with regard to that outcome. That was perhaps at the origin of the term "crisis of confidence" used by CCAQ, which members felt was too strong. The Commission was eager to restore the dialogue and had tried twice, unsuccessfully, to involve FICSA in discussions on furthering the consultative process.

31. The Commission recalled the historical context in which ICSC had been established. The concept of an international civil service commission had been approved by the General Assembly as far back as 1945, at the first session, but had not been put into effect at that time. Instead the International Civil Service Advisory Board (ICSAB) had been set up in 1948 and for 25 years had played an important part in advising ACC on the development of principles and standards in personnel matters. By the early 1970s, the international public service had grown to dimensions that had been unimaginable 30 years earlier, requiring a body, independent of Member States, administrations and staff to regulate and coordinate the conditions of service of the United Nations common system and to provide technical advice on complex personnel matters. When ICSC was created, the approach of interested parties participating in and contributing to the work of a body of independent experts had been considered innovative and hopes had run high. By 1975, when ICSC started its work, personnel matters had already become highly politicized in some of the organizations. Some of the problems facing the newly established body had been awaiting a satisfactory solution for years; others arose on a daily basis as a result of political, economic and social changes in the world.

32. Since the Commission had been the object of many, and sometimes contradictory expectations, it was hardly surprising that not all expectations had been met. The Commission's mandate, the first of its kind in the United Nations system, embraced the whole of the system. ICSC's role, which it had endeavoured to carry out to the best of its ability, remained valid. In the light of criticism the Commission believed it useful to recall some concrete achievements in the two decades of its existence; they included the maintenance of the post adjustment system and its operation, the establishment of methodologies for determining various conditions of service, the establishment of job classification standards and the hardship classification scheme, to cite but a few examples. It was also recalled that, in 1989-1990, the Commission had conducted a comprehensive review of the conditions of service of staff in the Professional and higher categories.

33. The above notwithstanding, the Commission stressed that, without yielding to pressure from any quarter, it remained open to constructive criticism. The numerous changes it had already made as a result of past reviews of its working methods showed that it was not wedded to the status quo. ICSC was not only amenable to change, it was prepared to lead the process.

Proposed structural alternatives

34. The Commission's interpretation of the General Assembly's request was that it sought change within the framework of the existing statute. The proposals for structural changes would all, in one way or another, change that conceptual underpinning. The Commission considered that the first two structural alternatives proposed by CCAQ would fundamentally alter the nature of the Commission. In fact, ICSC would cease to exist in its current form or conception and would be transformed into a negotiating body representing interest groups, thereby losing its independence, objectivity and impartiality. A structure in which business was conducted through negotiations was for employers and employees; the Commission was not an employer. ICSC had been created not to enter into negotiations, but to take decisions and make recommendations on a technical basis. It was therefore important that the members remain independent of their own Governments, of the organizations and of the staff. It was also doubtful whether a Pension Board-type tripartite arrangement, as proposed by FICSA, lent itself to the consideration of the kinds of items dealt with by ICSC. The Commission was not at all convinced that the structural changes proposed would meet the stated objective of furthering the consultative process. It was thus for the General Assembly to decide the matter.

35. Regarding the third option put forward by CCAQ (calling for a predetermined profile of members), the Commission considered that article 3 of the statute already adequately defined the qualifications required of members: competence, effectiveness and independence. Making the definition more specific might risk eliminating highly competent individuals with broad skills profiles, and with them the useful experience they brought to bear. ICSC had benefited over the years from a balance between generalists and specialists. Also, a search mechanism of that kind could be construed as interference in the sovereign right of Member States to select their own candidates.

36. With respect to the tenure of members, the Commission considered that, even with multiple terms, they were unlikely to match the experience of the interlocutors, many of whom had 20 or more years in the system. Imposing term limitations on ICSC members within the proposed tripartite structure would have the cumulative effect of marginalizing the "ICSC component" and would further

tilt the balance in an already uneven playing-field. It was pointed out that, under existing arrangements, ICSC members had the disadvantage of not being exposed to issues on an ongoing basis. A learning curve of approximately one term was required to familiarize members with the numerous technical and complex issues with which ICSC had to deal. While that time could perhaps be shortened by more orientation briefings for new members, it was not by limiting members to a tenure of eight years that experience was enriched; that was a contradiction in the CCAQ proposal. The Commission considered that it was for that very reason that the General Assembly had not set term limits. Again, it would be for the Assembly to decide this matter.

Measures to improve effectiveness

37. The Commission then examined the measures to improve effectiveness, noting that they complemented those that had been introduced since 1987. It considered that the proposals could do much to promote transparency, openness and a more participatory atmosphere in the proceedings as well as more orderly agenda management. In a time of rapid change, reform and restructuring, it was important that the common system not be left behind in the process; it should be innovative and forward-looking.

38. Transparency. The Commission reaffirmed the need to continue to ensure the transparency of its working methods. It recalled that it had all but eliminated its executive (i.e., closed) sessions in 1989 and that, for the past six years, all matters had been discussed and all decisions taken in the presence of the interlocutors. The Commission reiterated its 1989 decision and wished the record to reflect that all deliberations, including decision-making, would take place in open sessions, it being understood that (a) the right to hold executive sessions remained in the statute and (b) final decisions rested with the Commission. In a further bid to improve transparency, ICSC agreed to ensure that, in keeping with its 1989 decision, draft decisions would be made available simultaneously and in a timely manner to all parties.

39. Agenda management. This was an issue seen as key to enhancing the consultative process. The establishment of a steering/consultative committee, composed of the ICSC secretariat, members of the organizations and of the staff, to advise on the agenda was approved by the Commission. It was reaffirmed that agendas should be focused, limited to major issues and prioritized. A consultative committee met during the forty-second session and made recommendations to the Commission on the agenda for 1996. The Commission noted that the agendas proposed as a result of those discussions, which sought to balance the concerns and priorities of the various parties, would stretch the capacity of the ICSC secretariat to the limit. The agendas for 1996 approved by the Commission may be found in annex III to the present report.

40. Core common system. ICSC saw the organizations' proposal on a definition of "core" common system concerns as potentially useful. The Commission noted that the matter would be taken up in the presence of the ICSC secretariat and the representatives of the staff at a resumed CCAQ session to be held in September 1995. The outcome of those discussions would be presented to ICSC for review at its 1996 spring session.

41. Length and timing of sessions. The Commission recognized that improved working methods could also be achieved by more flexibility in the length and timing of ICSC sessions. It therefore endorsed the secretariat's proposal to hold one long and one short session during 1996. The timing would be flexible so as to enable ICSC to meet informally with its interlocutors for a few days

prior to the official opening of the session to hold briefings, establish contact groups and in general implement the new ideas it was adopting for its working methods. The proposal also envisaged a reduction in documentation requirements that would result in savings for the Member States. The timely receipt of documentation had been an ongoing theme at past sessions. The secretariat was confident that the new sessional arrangements, together with tighter, better-managed agendas, would diminish the problem of late documentation in the working languages of the Commission. The Commission was supportive of any proposal to improve the procedural aspects of timely document distribution and the quality/presentation of its reports.

42. It was recalled that, in 1992, as an offshoot of the biennialization of the Fifth Committee's work programme, it had been decided that ICSC's annual report to the General Assembly would be considered for decision-making purposes only in even-numbered years, so-called personnel years; in the odd-numbered years it would be issued mainly for information and guidance (subject to exceptions). At the time, the biennial approach had been seen as helping to rationalize agenda and work programme management, but for whatever reason, that had not occurred. The above-mentioned changes in the Commission's working methods would assist it also in complying with the Assembly's decision on biennialization. Consequently, in a non-personnel (odd-numbered) year, ICSC would in principle hold a single month-long session instead of two sessions of three weeks' duration each. It was understood that the agenda, in line with the new consultative arrangements, would be developed to support such a change.

43. Cooperation with the organizations and staff. As to the CCAQ proposal to develop mechanisms to allow for greater involvement of the consultative partners in the work of the secretariat and particularly in the preparation of documents, the Commission emphasized that it favoured strengthened contacts and collaborative links among all parties, wherever possible. The Commission noted that consultations in the preparation of documents with the organizations and staff bodies already took place and that they could usefully be enhanced. In the final analysis, however, ICSC documents should remain the responsibility of its secretariat.

44. ICSC reports. The Commission and others had noted on more than one occasion that its documents and reports did not make for easy reading. The subjects were complex and not easily accessible to the lay reader. Currently, the secretariat wrote the report during the session under considerable time pressure. The secretariat felt that the period between sessions could be used to produce a better drafted, clearer and more succinct report. Decisions, with their rationales, would be provided at the spring session; the full considerations leading to those decisions would be written up, translated into the ICSC working languages and provided in advance of the summer session. The summer session would be utilized primarily for the adoption of the report and any outstanding business, e.g., panel reviews; decisions taken during the spring session would not be reopened for consideration at the summer session.

45. Delegation of authority. ICSC had always recognized appropriate delegation of authority as a valuable management tool; indeed, many operational matters were already delegated to the Chairman. At its first session, in 1975, the Commission had delegated to the Chairman the responsibility for a number of ongoing functions; it had further decided that responsibility for ad hoc functions might be delegated to the Chairman, the Vice-Chairman or members of the Commission, acting either singly or in groups. Further options for delegation were being explored. Delegation of certain issues to small groups of Commission members was also under consideration.

46. Tripartite working groups. The Commission reaffirmed its earlier decision to establish tripartite working groups on major issues; that practice would continue as needed subject to resource availability. It noted that such working groups provided a forum for a process that went beyond consultation. Since those appointed to working groups were chosen because of their technical competence on a particular subject, the Commission's tendency had been to accept the recommendations of such working groups. However, its statutory responsibilities required it to examine the recommendations of all working groups. Here as elsewhere, if there were instances when the Commission could not accept a recommendation, it would provide the technical justification for its decision.

47. Task forces, contact/focus groups. One means of utilizing the time available more effectively would be to reduce the number of items dealt with in formal plenary sessions. Task forces or contact groups, consisting of three or four members, would undertake an in-depth examination of a particular issue to enhance understanding of technical and policy aspects. Those groups would meet outside formal sessions and would be open to all interested parties. The secretariat should explore options in that regard.

48. Expert body. The Commission observed that its advisory body on post adjustment questions, ACPAQ, had been appointed to provide it with expert statistical advice; it reaffirmed its confidence in ACPAQ as well as its intention not to redo ACPAQ's work. Recalling CCAQ's proposal for a second advisory body, one on human resources management, ICSC understood the import of that proposal to be to ensure that the Commission had access to state-of-the-art human resources management thinking. The Commission recognized that it was important for it to keep abreast of developments in a rapidly changing world and to be innovative. New approaches should be investigated, based on "best practice" and possibly using outside assistance. It considered, however, that the same purpose could be achieved in a more cost-effective manner through periodic briefings of ICSC, and other parties, if they so wished, on selected topics, by recognized experts and leaders in particular human resources management fields. The Commission requested its secretariat to initiate the process.

49. ICSC secretariat. The Commission noted that CCAQ looked towards a centre of excellence in the ICSC secretariat. It wished to place on record its satisfaction with the quality of its secretariat. It saw the issue rather as one of maintaining technical excellence. Secondment to the ICSC secretariat from the organizations had fallen off over the years. ICSC urged the organizations to redouble their efforts to provide it with high-calibre candidates. The Commission noted the intention of CCAQ and the ICSC secretariat to collaborate in a more concentrated way to find a solution to that problem. The Commission welcomed the intention announced by CCAQ that Professional staff of the jointly funded secretariats be treated as internal candidates for vacancies in the common system as a means of enhancing mobility. It favoured strengthened contacts and collaborative links among all parties. Exchanges of staff for short and longer periods, both on a task-oriented and a more general basis, as suggested by CCAQ, would be mutually beneficial and should be initiated forthwith.

50. Management audit. The Commission was informed that, following consultations with the CCAQ secretariat, the terms of reference for the proposed management audit of the ICSC secretariat had been finalized. One of the Member States had been requested by the Chairman to assist with this management audit, which would probably be carried out in the fall of 1995.

Conclusions of the Commission

51. The Commission specified that the new arrangements should be essayed on a trial basis and remain under constant review. The agenda would continue to be the determining factor in establishing the timing and length of sessions. It was, in the Commission's view, judicious management of the agenda that would play the biggest role in streamlining its working methods.

52. The Commission emphasized that it saw efforts to improve the consultative process as a continuing matter that required constant renewal. It was most important for all parties to show goodwill, mutual respect for and trust in one another. Otherwise, there would be no improvement. The Commission regretted that FICSA had not found it possible to participate in the Commission's discussions on that matter, but hoped that it would resume its participation in the near future. ICSC stressed that it remained very much open to new ideas and constructive suggestions for further reform and improvement.

53. Airing of those issues at the current juncture had led the Commission to conclude that, for the consultative process to improve, it was essential that ICSC not stand alone in reassessing its functioning. The Commission considered that it had done its best to restore the dialogue. There was a need also for the interlocutors to review their working methods. There was an equal, if not more important, need for a stronger climate of accountability, whereby all parties in the process faced their roles and responsibilities squarely.

Decisions of the Commission

54. In the light of its consideration of the item at both the forty-first and the forty-second sessions, the Commission decided to implement the measures to improve effectiveness outlined in paragraphs 37 to 50 above.

55. Those measures included the decision to implement a new formula for the timing and length of its sessions and for the production of its report. The Commission decided to hold in 1996 a four-week session in the spring and a one- to two-week session in the summer, depending on need as defined by the agenda; if that formula was found to be effective, it would be adopted in future for even-numbered years (personnel years, as defined by the General Assembly's Fifth Committee). The report at the spring session would consist of draft decisions with their rationales, where applicable; at the summer session the Commission would have before it the full report for adoption (para. 44). In odd-numbered (non-personnel) years, the Commission would in principle hold a single session of approximately one month's duration (para. 42).

56. The Commission further decided that the new arrangements would be introduced on a trial basis and remain under constant review (para. 51).

Chapter III

CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES

A. Examination of the Noblemaire principle and its application

1. Overview and framework

57. The Commission at its July 1993 session decided that it would review the application of the Noblemaire principle 1/ at its 1994 sessions. The decision was made following consideration of a series of requests made by the General Assembly in its resolutions 46/191 A of 20 December 1991 and 47/216 of 23 December 1992, as listed below:

(a) Application of the Noblemaire principle (resolution 47/216, sect. II.C);

(b) Operation of the Federal Employees' Pay Comparability Act of 1990 (FEPCA) (resolution 46/191, sect. IV);

(c) Margin management over a five-year period (resolution 46/191, sect. IV);

(d) United States special pay systems (resolution 46/191, sect. VI);

(e) Use of periodic checks to determine the highest-paid civil service (resolution 46/191, sect. VI);

(f) Structure of the salary scale (resolution 47/216, sect. II.G).

The Commission reported on its plans for studying these questions in its 1993 annual report and subsequently submitted an interim report to the General Assembly at its forty-ninth session. 2/ That report completes the response of the Commission to the requests referenced above.

58. The General Assembly, in section III of its resolution 49/223, recalling the relevant parts of its resolutions 46/191 A and 47/216 and acknowledging that "the common system must be a competitive employer in order, inter alia, to equip it to make the necessary management reforms", noted "with regret that the International Civil Service Commission has not yet completed the studies on all aspects of the application of the Noblemaire principle and all other related studies"; and requested "the Commission to proceed with all urgency with its study of all aspects of the application of the Noblemaire principle and all other related studies which are outstanding and to submit final recommendations to the General Assembly at the earliest opportunity". The Assembly also took note of the Commission's decision to proceed to a phase II study of the national civil services of Germany and Switzerland in the context of determining the highest-paid national civil service.

59. The various mandates cited above all related to the appropriateness of common system Professional remuneration in terms of level and structure as might be determined by reference to comparators, present or prospective. Fact-finding and analysis concerning these separate mandates was undertaken as a series of parallel concurrent studies which were considered over a series of sessions in 1994 and 1995. There was inevitably some interaction between the component studies. For instance, the ineffectiveness of FEPCA, the increasing use of

special pay systems in the United States federal civil service and the consequent revisions in margin measurement resulted in different relativities being determined between the United States federal civil service and other potential comparators. Nevertheless, the results of the studies have been aligned to a common basis. Thus the reference point used for comparisons between the German Civil Service and the United States federal civil service is the approved 1995 margin of 105.7 which reflects the latest available situation on grade equivalencies and the inclusion of special pay systems.

60. The present chapter has been organized to reflect first the consideration accorded to the application of the Noblemaire principle itself. This is followed by a discussion of all matters related to the measurement of the margin between the United Nations and the United States. The studies made to identify alternative comparators (Germany and Switzerland) are then reported on. The reference studies to gauge the competitiveness of the common system are provided, as requested, on the basis of net remuneration comparisons with the Organisation for Economic Cooperation and Development (OECD) and the World Bank. Following this, specific consideration is given to the base/floor salary scale and its structure in the light of the fact that the 1995 margin fell below the 110-120 range and the indication that there exists a national civil service that is paid more than the current comparator. Information is then provided with regard to the issue of supplementary payments. The steps the Commission recommends that the General Assembly consider taking to restore appropriate net remuneration levels for the common system are outlined in the final section.

General considerations relating to the Noblemaire principle

Background

61. In documentation prepared by the ICSC secretariat, it was recalled that the Commission's 1975 review of the Noblemaire principle and its application, undertaken as one of its first tasks, had taken place at a time when the United States dollar was strong, fluctuations between the dollar and other major currencies were not significant and the remuneration for the comparator civil service (the United States federal civil service) was set at full comparability to the private sector. During the last 20 years, all these parameters had changed. As a result, doubts continued to be expressed regarding the basis used for the determination of the salaries and conditions of employment of the Professional and higher categories of staff of the common system. While some doubted the principle itself, others had considerable difficulty with its current application. For some there was an ambiguity as to what the Noblemaire principle was. To focus the discussion on the twin elements of the principle and its formulation for application, the secretariat drew a clear distinction between the two. While the principle expressed an idea which had remained unchanged, the formulation which was used as the instrument for pay determination had differed on the occasion of each review, both before and after the inception of the United Nations system.

62. As there appeared to be no difficulty with the basic tenet of the principle itself, the secretariat raised a number of fundamental points with regard to the application of the principle with a view to ensuring the competitiveness of the United Nations system. In this context, the secretariat noted that while no statement of the Noblemaire principle had so far envisaged recognizing the existence of international organizations outside the common system, this had to be understood in the context of the principle having been enunciated before the

vast expansion of international activity, which had been an important feature of the last few decades.

63. In addition to the relevance or otherwise of the international organizations in the application of the Noblemaire principle, other issues were discussed, such as changing world realities; comparisons with the public or private sector; home or expatriate civil services; the expatriation factor and the size of the margin. The need to maintain policy coherence in application of both the Noblemaire and the Flemming principles in support of Article 101 of the Charter of the United Nations was highlighted. The background of salary overlap problems between the Professional and General Service categories was indicated as a reflection of the situation whereby current application of the Noblemaire principle meant that Professionals were recruited by reference to the lowest quartile of the comparator's labour market 3/ while General Service were recruited from the upper quartile of the comparator's market. The importance of the issue of supplementary payments by some member States to their nationals working for the common system was also highlighted.

64. The Commission gave consideration to the following options for application of the Noblemaire principle: (a) maintaining the current application of the Noblemaire principle; (b) using international organizations as either comparators or as reference guides to common system competitiveness; (c) using the private sector of the country with the highest pay levels as a comparator; (d) using a combination of public and private sectors in a country or group of countries with the highest pay levels; (e) using the highest non-diplomatic expatriate civil service as a comparator; (f) modifying the margin range to reflect fully comparator expatriation benefits.

Views of the organizations

65. The Chairman of CCAQ recalled that the Committee had addressed ICSC on this issue on a number of occasions and had provided it with significant technical documentation confirming that common system remuneration levels were uncompetitive. This was contrary to the basic premise of the Noblemaire principle. There was an enormous gap between common system remuneration levels and those of other international organizations, which based their pay on market considerations, as well as between the levels which the comparator would be paying if the United States Pay Agent's proposals in respect of the United States federal civil service had been implemented. Absolute precision as to the extent of the gap was not the issue: by any measure, it was significant: it was at least 30 per cent, and as high as 50 per cent or more in some cases. Realistically, whatever remedial measures ICSC proposed at this stage would not close the gap completely.

66. CCAQ, and now the ICSC secretariat, had provided the technical justification for action. The General Assembly had noted with regret the delays in reaching a conclusion on the matter. ACC was extremely distressed at the delay. It was vital that ICSC finally heed the executive heads' appeals for assistance in carrying out their mandates. The situation was extremely serious and brooked no further delay. Any requests for further studies or research would be viewed as mere delaying tactics.

67. CCAQ believed that the application of the Noblemaire principle had to be revised to take into account not only the highest-paid national civil service but also, in some measure, the private sector in the country of the highest-paid civil service and the remuneration levels of the other international organizations, which were the common system's competitors. The margin range

should be revised in order to obtain, over an appropriate period, remuneration levels reflective more of the other international organizations and of the private sector in the country of the comparator civil service.

68. CCAQ had a number of technical concerns. One of them was the compatibility of the Flemming and the Noblemaire principles. Under the Flemming principle, General Service remuneration was established by direct reference to the private sector and other parastatal competitors, whereas under the Noblemaire principle, Professional remuneration was set in relation to a comparator national civil service. If the compensation levels of that national civil service followed the market, pay for both categories of United Nations common system staff would tend to march in step. If, as in the United States federal civil service, the determination of civil service pay levels was subjected to budgetary or political considerations, the synergy would be dislocated. This was exactly what had happened in the common system. As a result, organizations reported problems with overlap or pay inversion. CCAQ therefore believed that, as well as reflecting other competitors, such as the World Bank Group and the Coordinated Organizations, common system remuneration had to be revised to reincorporate the concept of private sector remuneration, thus restoring the balance between Professional and General Service pay.

69. The revision of the margin range proposed by CCAQ should result in an upward adjustment of remuneration levels. In conjunction with this adjustment, ICSC should review the structure of the scale to ensure appropriate treatment of remuneration levels at the upper end of the scale.

Views of the staff representatives

70. The President of CCISUA said that the narrow interpretation of the Noblemaire principle, coupled with the Commission's delay in proceeding with the study on the highest-paid national civil service, had made the common system organizations unattractive, uncompetitive employers. The resulting inability of the organizations to maintain excellence had cost them dearly and would continue to do so. To the extent that the Commission did not acknowledge these realities, it was doing its employers a disservice.

71. The savings generated by a series of streamlining and restructuring exercises, starting with the Group of 18 and still continuing, had not been used to redress patently uncompetitive conditions of service. Instead, the Commission had preferred to stretch out the process by requesting further studies or diverting attention to additional courses that might require investigation. This was myopic and self-defeating: in the meantime, the situation had become increasingly untenable.

72. The Commission was provided with a series of choices. Of all the choices available, the use of a basket of comparators was in direct violation of the basic concept underlying the Noblemaire principle. The use of more than one comparator clearly implied the use of, not only the best- but also the second- and third-best paying comparators. This would result in a process of averaging that would dilute the rates used in the comparisons.

Discussion by the Commission

73. The Commission wished at the outset to commend the secretariat for having captured the complexities of the "Noblemaire issue" in such a concise and readable form. Appreciation was also expressed for the valuable historical research and analysis carried out by CCAQ, which had been provided to the

Commission. The available documentation provided a sound basis for an in-depth consideration of the matter. That said, the Commission noted that an unequivocal rendering of the Noblemaire principle had eluded successive reviews over the past 50 years: this was perhaps because the principle itself had its origins in a less than transparent passage in the 1921 report of the League of Nations Committee which Georges Noblemaire had chaired. Members were not sure that ICSC would succeed, where so many others had failed, in decoding that original statement to the intellectual satisfaction of all concerned. Nor was such an exercise considered entirely necessary. Speakers stressed the need for a pragmatic approach. Basically, the questions that needed to be addressed were: was it generally agreed that the underlying premise of the Noblemaire principle had been to ensure that United Nations salaries were competitive? If so, were United Nations system salaries still competitive, and by comparison with which employer or employers? If not, what should be done to rectify the situation? Some members stated that under the Noblemaire principle, conditions of service should be such as to attract nationals from the highest-paid national civil service.

74. As to whether the intent of the Noblemaire principle had been to ensure competitiveness, the Commission was in general agreement that this had been the case, although one member considered it important to recall that the Noblemaire Committee had been established to set order in a remuneration system deemed to be excessive.

75. It was emphasized that there was a direct linkage between the concepts underlying the Noblemaire principle and the provisions of Articles 100 and 101 of the Charter of the United Nations, which provided that the staff of the United Nations should possess the highest standards of efficiency, competence and integrity and should have allegiance only to the United Nations. Equally important (and by no means contradictory) was the need, implied in the Charter, for staff to retain their national and cultural identity. This implied that staff would be able to return to national service, and the ability to do so was a definite factor in the willingness of some Member States' nationals to join the United Nations.

76. On the question of whether United Nations system salaries had retained their competitive edge, a number of views and ideas were advanced. It was noted that indicators of competitiveness could be quantitative or qualitative, and were sometimes a mix of the two. Recruitment difficulties were one indicator, although it was becoming clear that absolute proof of the difficulties cited by the organizations in attracting and retaining high-calibre staff from all countries, including those with high pay levels, would be difficult and perhaps impossible to obtain. Other indicators included vacancy rates and turnover rates, and other, perhaps more subjective evaluations, such as whether the United Nations system would be an employer of choice for today's young graduates. The questionable practice of supplementary payments was seen by some as a very clear indicator of inadequate pay levels.

77. Much had changed since the time of the Noblemaire Committee: the Commission noted the statements by a number of organizations that modern-day programme requirements called for a range of technical specializations (e.g. nuclear safety inspectors, air traffic controllers) that had not even been contemplated at the time the Noblemaire principle had been framed. In the final analysis, the test was whether the remuneration package enabled organizations to satisfy Member States' programme requirements. Speaking collectively in ACC, the organizations had expressed difficulties in this regard. It was also noted

that the United Nations had stated that it needed a more competitive remuneration package in order to effect its management reforms.

78. Approaching the issue of change from another angle, it was pointed out that there were myriad differences between the reference civil service of the early 1920s and the comparator civil service of the mid-1990s. In summary, the former had been an élite service, with staff drawn from the best universities with excellent qualifications. They were respected members and often leaders of society and their pay was set accordingly. Today's comparator civil service, by contrast, was a workforce whose pay was in the bottom quartile of the comparator's labour market. 3/ Holding United Nations system pay to the same reference point over the years, while standards within that reference point had slipped drastically, had undoubtedly blunted the competitive edge of the international civil service.

79. Others, while acknowledging that the United Nations system was having difficulty in attracting and retaining staff from countries with high pay levels, wondered whether the changed context in which the United Nations system was now operating, and indeed the changed nature and composition of the international civil service itself, did not call for a different approach to the subject. Caution was, however, urged about moving away from basic principles.

80. In summary, there was support for the thesis that the United Nations system was experiencing problems of competitiveness. There then arose the question of the employers with which the United Nations system was competing and, as a corollary, the formula that should be used to restore competitiveness. In this connection it was reaffirmed that a distinction had to be drawn between the principle itself and the formula for its application.

81. It was recalled, as stated above, that the United Nations system was currently competing in much more diverse markets than it had in the 1920s. A view was expressed that the notion of competitiveness in the labour market for comparable work amounted to an extension of the Noblemaire principle. Others had no difficulty with what they saw as essentially updating the interpretation to make it more relevant to modern-day requirements.

82. A wide-ranging exchange of views took place on the most appropriate manner of applying the Noblemaire principle. In this connection it was noted that, prior to the establishment of the Commission, the Noblemaire principle had been applied in a relatively flexible manner; moreover, even after the Commission had stated the formulation in terms of reference to the highest-paid national civil service, there had not, for a certain period, been rigid adherence to pay levels in the comparator civil service. In the 1970s, salary increases had been granted on the basis of competitiveness, using the comparator civil service as a reference point. In the mid-1980s, with the introduction of strict margin management, additional constraints had been imposed.

83. A view was expressed that the national civil service formulation should not be lost sight of. Others wondered whether reference to a single national civil service was a workable formula. It was true that the same comparator civil service had been used since the inception of the United Nations and that formula had worked relatively well for some time because the comparator civil service had been unquestionably the highest-paid. However, doubts on that score had been growing for some years and had now reached a crescendo: there was now perhaps a likelihood that the comparator would be replaced. With the synergistic relationship between the two services that had built up over the years, that change might be difficult enough to effect. If, after a few years,

another civil service were identified as the highest-paid, yet another shift would occur. Those considerations seemed to indicate a more nuanced approach to reference points.

84. In that connection it was noted that a basket of national civil services had the conceptual drawback of including employers who paid less than the best. Possible alternatives to this approach included the use of a single comparator in conjunction with a series of reference points. Exactly which comparator and what reference points should be selected might better be left for a later round of discussion. A variety of views was expressed on the use of international organizations as reference points. Some considered those organizations as potentially useful reference points, given their functional congruence with the United Nations system. In the view of others, the limited membership and/or different mandates of these institutions made them inappropriate reference points for an international workforce like the United Nations system. Still others had an open mind on the subject. It was generally felt that these institutions should not be used as comparators per se.

85. It was noted that one of the options put forward in the secretariat paper was adjustment of the margin range, and it was felt that that possibility should not be ruled out.

86. Another element in the equation was the trend in the outside world towards privatization of the public sector, which was rather advanced in some countries. This might suggest the use of a mix of public and private sectors.

87. During the discussion, the view was expressed that the current world monetary disorder, with which the post adjustment system was finding it difficult to cope, was a factor to be taken into account in the equation. Members stressed that issues of currency instability and the reform of the post adjustment system, while extremely important, should not be allowed to deflect the Commission from its focus on the application of the Noblemaire principle, which it had identified as its priority for 1995. It was, however, important that the decision the Commission reached on Noblemaire application be able to function coherently over time within the framework of international monetary realities.

88. Discussion on the long-term aspects of the Noblemaire principle was resumed at the forty-second session after consideration of the other related studies. Time constraints did not permit a reconsideration of all the detailed aspects initially discussed at the forty-first session. It was observed, however, in the light of the various other studies that the identification of a comparator civil service had become more difficult over time. Some civil services were easier to compare with than others by virtue of their size and structure. However, those that were easily comparable were not necessarily the best-paid. Thus the ideal comparator in terms of structure might very likely not be particularly competitive while the best-paid might not be particularly comparable.

Decisions of the Commission

89. The Commission decided to report to the General Assembly that:

(a) The review concerning all aspects of the application of the Noblemaire principle indicated that the principle had been subject to a series of different formulations since 1921. A wide variety of formulations had been used at different times but the current practice of using the highest-paid national civil service formulation, combined with a reference check with international organizations, appeared to be sound as long as the process of identifying the comparator civil service was handled on a timely basis and the margin range realistically reflected comparator expatriation benefits;

(b) The General Assembly may wish to consider reconfirming the continued applicability of the Noblemaire principle based upon: (i) the use of periodic checks to determine the highest-paid civil service; and (ii) the use of a margin range that is appropriate in relation to the value of expatriate benefits.

2. Grade equivalencies with the United States federal civil service: validation of grade equivalencies and the procedure for the elimination of dominance

90. In the context of the General Assembly's request, in section II.C of its resolution 47/216, that it examine all aspects of the application of the Noblemaire principle with a view to ensuring the continued competitiveness of the United Nations common system, the Commission reviewed reports by its secretariat during its last few sessions, which demonstrated that the comparator's initiative to restore parity with its own comparator (the United States non-federal sector) was encountering difficulties. FEPCA, which was intended to close the pay gap between the federal and non-federal sectors by the year 2002, had not been implemented as legislated. Comparator projections demonstrated that there would be a continued lack of full implementation. Accordingly, the pay gap of some 30 per cent between the federal and non-federal sectors was not being closed. Some special pay systems of the comparator had, however, closed the pay gap and special pay systems, which had been expected to decrease as FEPCA was implemented, would in all likelihood continue to grow. Accordingly, the Commission re-examined its 1994 decision "to continue to use as weights in the remuneration averaging process, the actual number of incumbents in each relevant occupation of each special pay system". 4/ In that regard, the Commission requested the secretariat to examine a number of alternative approaches designed better to reflect special pay systems through a reduction of the dominance of the General Schedule pay system, i.e., the pay system that was the main focus of the FEPCA legislation. The alternatives were: the log weight method; equal weights; the 75th percentile method; and the best-paid system. Adoption of any one of these methods was seen as moving away from a system that reflected the internal structure of the United States federal civil service, a matter of only domestic concern to the comparator and of no relevance to the common system.

91. Against the background of the above concerns, the Commission also undertook in 1995, as part of the regular cycle of grade equivalency studies, an updated grade equivalency study with the current comparator, the United States federal civil service. Of particular relevance to the grade equivalency study was the Commission's decision, which it had reported to the General Assembly in 1994, 5/ to include additional United States federal civil service pay systems in the exercise. The 1995 grade equivalency study included: (a) the six United States pay systems currently included in remuneration comparisons; (b) all relevant occupations in the pay systems of 11 United States Government agencies that had established pay levels departing from the General Schedule; and (c) two additional pay systems - Senior Level and Scientific and Technical - established under FEPCA, which met the Commission's criteria for inclusion in remuneration comparisons, as reported to the General Assembly in 1994. In the context of the grade equivalency study, the Commission reviewed the results of the validation

exercise organized with classification specialists of the United States federal civil service.

92. Other issues addressed in conjunction with the United Nations/United States grade equivalency exercise and related remuneration comparisons were:

(a) Whether the two additional pay systems provisionally included should be retained for grade equivalency and remuneration comparison purposes;

(b) Whether United States federal civil service General Schedule positions at grade level 7 should continue to be included in the grade equivalencies;

(c) Whether Assistant Secretary-General and Under-Secretary-General levels should continue to be excluded;

(d) The method to use for reflecting Senior Executive Service (SES) salaries in remuneration comparisons;

(e) Whether bonus and performance awards that were not a part of base salaries as defined by the comparator should continue to be excluded from remuneration comparisons.

Views of the organizations

93. CCAQ noted that the grade equivalency study had been carried out in accordance with the established methodology and in a technically rigorous manner. The CCAQ position on the related issues before the Commission was as follows:

(a) Rank-in-post versus rank-in-person: CCAQ continued to support the inclusion in the equivalency study of posts deemed to be part of a rank-in-person system. Equivalencies could be determined for such posts, as was the case with posts in the SES group;

(b) Special pay systems: CCAQ continued to support the inclusion in the study of all relevant special pay systems;

(c) Procedures for evaluating SES posts: CCAQ supported the use of the actual salary of SES pay levels in margin comparisons;

(d) Inclusion/exclusion of General Schedule level 7: CCAQ continued to be concerned at the inclusion of the GS-7 level in the equivalency comparisons. The impact was negligible in overall margin terms, but there was a significant impact on the margin at the P-1 level, which was pertinent to other considerations about the structure of the common system salary scale. The comparator itself considered that GS-7 was not a Professional grade level. CCAQ urged ICSC to exclude it from the comparison;

(e) Inclusion/exclusion of Assistant Secretary-General/Under-Secretary-General level posts: CCAQ supported comparisons at the Assistant Secretary-General/Under-Secretary-General level based on the working level equivalents with the Executive Level of the comparator civil service that had been used in the past.

94. With regard to weighting procedures, CCAQ considered that the current straight weighting method, which was inconsistent with that used in all other methodologies, significantly biased the results. CCAQ had consistently held

that the Noblemaire principle could be upheld only by using, in margin computations, the highest-level pay systems for each occupation in the comparator civil service. That approach would eliminate dominance. CCAQ reiterated that position. Since, however, the Commission seemed inclined to reduce rather than eliminate dominance, CCAQ had also examined the other alternatives put forward. It considered that the option chosen should lead to results that were: (a) relatively stable over time; (b) relatively easy to administer; and (c) readily understood. Taking those criteria into account, CCAQ had concluded on balance that the equal weighting option should be chosen.

95. CCAQ noted the continuing non-implementation of FEPCA; it appeared that FEPCA was, to all intents and purposes, dead.

Views of the staff representatives

96. The representative of CCISUA presented proposals regarding the comparator pay systems to be included in net remuneration comparisons, the procedures for their inclusion and the inclusion of bonus and performance awards in the comparison. On the first issue, CCISUA believed that all pay systems meeting the Commission's criteria as specified in its 1994 annual report should be included. In that connection CCISUA queried the exclusion of the United States Agency for International Development (USAID). CCISUA considered that it was unjustifiable to include the GS-7 level in the comparison. With regard to weighting procedures, CCISUA's view was that it was technically unjustifiable to use a single average SES pay level for matching purposes with United Nations posts at the D-1 and D-2 levels. Grade equivalencies should be established, as had been done before 1990, and separate weighted averages for the individual United Nations grades calculated on that basis.

97. CCISUA recalled the Commission's 1986 decision to exclude bonuses and performance awards that were not part of base pay as defined by the comparator. That decision was untenable in the context of the application of the Noblemaire principle. The granting of bonuses by the comparator, like the establishment of special pay systems, was the direct result of the fact that comparator pay had not kept pace with remuneration in the private sector, and of its consequent difficulties in attracting and retaining staff. The comparator had implemented a merit system approach that was foreign to the common system. Unless the comparator's system was reflected in its entirety and the common system adopted a merit approach, CCISUA saw no reason why bonuses should not be included in the comparisons. The comparator itself, in its own comparisons with the private sector, took bonuses and merit awards into account. The CCISUA representative therefore stressed the need to include that remuneration element in margin comparisons. She also requested that, as in the past, total remuneration comparisons be provided to the Commission.

98. CCISUA considered it essential to reduce the dominance of the General Schedule and expressed appreciation for the thorough analysis provided of the different methods for reducing and/or eliminating dominance. CCISUA had in the past maintained that, on the basis of the interpretation given to the Noblemaire principle by the Committee of Thirteen in 1949 ("best paid of national and foreign services"), the option retained should be the use of the best pay systems of the comparator. CCISUA noted, however, the reservations expressed by the secretariat concerning the low numbers of staff involved and associated technical problems. Of the three remaining solutions suggested, CCISUA favoured the use of the 75th percentile: that approach would not be difficult to explain, as it was the method used by the Commission for determining General Service remuneration. It was also the approach followed by the World Bank.

Discussion by the Commission

99. The Commission noted that the 1995 grade equivalency study covered 560 posts in: (a) the six United States pay systems currently included in net remuneration margin calculations; (b) all the relevant occupations in the pay systems of 11 United States Government agencies that had established pay levels departing from the General Schedule; and (c) two additional pay systems - Senior Level and Scientific and Technical - which met the Commission's criteria for inclusion in margin calculations as reported to the Assembly in 1994 (see para. 91 above).

100. The Commission reviewed a number of specific issues related to the grade equivalencies and resultant remuneration comparisons, as discussed below.

101. Additional comparator pay systems to be reflected in grade equivalencies and resulting remuneration comparisons. ICSC recalled that at its spring 1993 session it had decided: (a) to reflect fully in margin comparisons all relevant pay systems of 11 United States agencies; and (b) to review 10 other pay systems that it saw as of possible relevance. Having analysed the data collected on those pay systems, ICSC agreed to the inclusion of two pay systems: Senior Level and Scientific and Technical.

102. In the course of the discussion, members observed that there were significant differences (30 per cent to 40 per cent or more) in pay levels across the various comparator pay systems that qualified for inclusion in the comparisons. While such disparities could be perceived as anomalous, they were no more than a reflection of reality. A fragmented pay system had developed in the comparator service as a result of efforts to bridge competitiveness shortfalls in particular sectors of the market. The Commission thus reaffirmed that the inclusion of those pay systems in margin comparisons was consistent with the concept of competitiveness underlying the Noblemaire principle.

103. Inclusion/exclusion of the GS-7 level. It was recalled that, prior to the 1985-1986 grade equivalency study, equivalencies at the P-1 level had been related exclusively to the United States GS-9 level. At the time of that study, a few GS-7 level positions had been found equivalent to the P-1 level; the Commission had therefore decided to include the GS-7 level in the comparison process "for the time being". Accordingly, the GS-7 level had been included in remuneration comparisons since 1990, when the results of the 1985-1986 study were implemented.

104. The Commission noted that all the jobs found to be equivalent to the P-1 level in the current study were trainee/developmental posts, for which no counterpart existed in the common system. It thus appeared that jobs equivalent to the United States GS-7 level did not in fact exist in the common system. Moreover, the comparator's pay-setting process at the GS-7 level continued to be largely determined by categories representing clerical and technical positions that in the common system were found in the General Service category. The Commission observed that the duties and responsibilities of the GS-7 jobs analysed by the secretariat did not conform to the ICSC definition of Professional-level work.

105. In view of the above considerations, the Commission decided that there was no technical basis for inclusion of the GS-7 level in grade equivalencies and resulting margin comparisons. That level should therefore be excluded from the grade equivalencies. It noted that while the inclusion or exclusion of the G-7 level had virtually no impact on the overall level of the margin, its inclusion

had had the effect of artificially inflating the remuneration ratios at the lower salary levels on the United Nations side. Their exclusion would provide a clearer and more accurate structural progression in remuneration ratios at individual grade levels.

106. Assistant Secretary-General/Under-Secretary-General levels. The Commission noted that the current grade equivalency study, like the 1990-1991 exercise, did not include approximate working equivalents for the Assistant Secretary-General/Under-Secretary-General levels. It reviewed information on the prior consideration of the matter, which highlighted the difficulty of establishing direct equivalencies between the common system and the comparator civil service at those levels. The Commission noted that, in the secretariat's view, it would currently be no less difficult to establish such specific grade equivalencies. The inclusion or exclusion of approximate working equivalents at those levels would have no impact on the level of the margin and would become significant only if salaries at the senior levels were to be examined separately from those at other levels.

107. The Commission noted that a validation exercise had been conducted with the comparator's job classification experts and had resulted in a validation rate of 92 per cent. It decided to endorse the results of the 1995 grade equivalency study. With regard to a point raised by the United Nations and CCISUA, the Commission was informed that USAID currently met the criteria for inclusion in grade equivalencies and could be included in any future grade equivalencies with the United States federal civil service. It was suggested that posts under non-appropriated funds should also be considered for inclusion. The Commission agreed to review both proposals at the time of the next grade equivalency study.

108. SES salary levels. ICSC recalled that since 1990, salaries of comparator SES staff had been reflected in margin comparisons through a weighted average of SES grades 1 to 6. It observed that the current grade equivalency results corroborated earlier findings that there was a progression in salaries at SES pay levels *vis-à-vis* comparable United Nations grades. Furthermore, the inclusion of a single amount derived from a weighted average of all SES grades distorted remuneration ratios, particularly at the D-1 level, where the ratio was less than at the D-2 level. That was an aberration with regard to normal remuneration ratio progression. The Commission concluded that although the SES salary progression was slight, it would be technically more precise to reflect it in margin comparisons through the use of the actual salary of each SES pay level rather than through the current averaging process.

109. Bonuses, performance and merit awards. The Commission considered the CCISUA proposal that the comparator's bonuses and awards be factored into margin calculations. It recalled that bonuses and performance awards had been included in United Nations/United States remuneration comparisons until 1990, when the results of the 1985-1986 grade equivalency study were implemented. The Commission noted that several different types of bonuses and performance awards were currently applicable to SES. Less than 1 per cent of SES staff could receive distinguished awards of $20,000 and less than 3 per cent could receive meritorious awards of $10,000. All SES career staff were subject to annual performance evaluations used as a basis for granting bonuses. For the 1994 fiscal year (latest available), official data showed that 39.8 per cent of career SES staff had been granted an average amount of $7,064 for bonuses and performance awards in addition to their base salaries.

110. Some Commission members expressed the view that only base salaries should be included in United Nations/United States remuneration comparisons. As they

saw it, bonuses and performance awards were incentives to encourage better performance and as such were not a pay component. Other members considered it difficult to ignore a significant cash supplement to salary, particularly when, as in the current case, it was granted to nearly 40 per cent of eligible SES staff under a structured programme. It was also pointed out that performance awards might become payable in common system organizations pursuant to the Commission's 1994 recommendations on performance management. To date, however, no organization had introduced such bonuses or awards.

111. A number of members noted that, in the context of restoring the competitiveness of common system remuneration levels, bonuses and performance awards granted to United States federal civil service staff represented a legitimate consideration. In that regard the Commission noted that the General Assembly had invited ICSC to review the imbalances in the United Nations/United States remuneration ratios.

112. Although views were somewhat diverse, the Commission as a whole agreed on balance that it would be appropriate to reflect bonuses and performance awards in margin calculations subject to the conditions specified in paragraph 119 (b) (ii) below. It was agreed that, if and when performance awards were introduced in the common system, they would be factored into the calculations.

113. Weighting procedures. It was noted that under the current averaging procedures, the dominant effect of the General Schedule - the lowest pay system of the comparator - was not being mitigated. The key problem was that while the margin comparisons included a number of separate and distinct United States special pay systems that were very competitive vis-à-vis the common system, the effect of those special pay systems was dwarfed by the very large number of General Schedule staff included in the comparisons. In other words, the dominance of the General Schedule masked the true level of competitiveness of several of the other United States pay systems. With the inclusion of additional pay systems in the current grade equivalency exercise, the dominance of the General Schedule in the calculations became a significant issue. Among the considerations that had led to the use of the current weighting procedure was the expectation that the need for special pay systems would decrease as a result of FEPCA, which was designed to bring the comparator's salary levels into closer alignment with its own comparators. The Commission took note of the difficulties being experienced with the implementation of FEPCA and the projected lack of full implementation. Given that limitation, a decrease in the number of special pay systems in the comparator service was becoming increasingly unlikely.

114. A further consideration related to the difficulties experienced with respect to the possible use of special occupational rates on the United Nations side. The Commission had provided for the use of such special occupational rates in principle; however, it had subsequently become apparent that the organizations' proposal for the use of such rates would be tantamount to special agency rates. The Commission had viewed such special agency rates as incompatible with the common system. Under the circumstances, it became particularly important to reflect adequately all relevant special pay systems in the margin calculation process.

115. Taking the above factors into consideration, the Commission concluded that it would indeed be appropriate to take steps to reduce dominance in margin calculations. In that regard it reviewed four possible alternatives to the

current straight weighting procedures: the log weight method; equal weights; the 75th percentile method; and the best-paid system.

116. ICSC considered that in selecting the most appropriate weighting procedure it should review those options against the following criteria: responsiveness to the competitiveness requirements of the Noblemaire principle, stability over time, transparency and feasibility of application. It was noted that each of the options carried advantages and drawbacks. The log weight method, while providing relatively competitive results, yielded pay levels still substantially lower than the best-paid systems; it also lacked transparency. The equal weight system was readily understandable, as it used the simple average of all pay systems. It might, on the other hand, be considered by some as giving insufficient importance to the large pay systems. The 75th percentile method was comparable to that already approved by the Commission for use in General Service salary survey calculations: it also provided results that compared favourably with the better-paying systems without actually being the absolute best. Its drawback was that it required vast amounts of detailed data that were not always available for all pay systems, its application would therefore have to be restricted in terms of pay systems covered. The best-paid system approach provided a fully competitive remuneration level but could not be considered representative of the federal civil service as a whole.

117. Most members of the Commission considered that the equal weights approach would best meet the various criteria set out in the previous paragraph. One member considered the use of log weighting to be the most appropriate method. Another member expressed the view that the only weighting method that would correctly translate the intent of the Noblemaire principle was the best-paid systems method. In that connection, opposition was expressed by one member to the possibility of having one very small agency determine pay across the common system. Concerns were also expressed about the stability aspect.

118. The Commission as a whole concluded that the use of the equal weights procedure would be an appropriate method of reflecting the comparator's pay systems in margin calculations, and thereby reducing the dominance of the General Schedule. It noted that the effect of applying that procedure would be to reduce the margin by approximately 4 percentage points.

Decisions of the Commission

119. The Commission decided to report to the General Assembly that:

(a) It had conducted a new grade equivalency study with the comparator, and in that context, had decided:

(i) To include the Senior Level and Scientific and Technical pay systems of the comparator;

(ii) To exclude the comparator's GS-7 positions from future remuneration comparisons;

(iii) To exclude the Assistant Secretary-General/Under-Secretary-General levels from the current grade equivalency studies;

(iv) To note the results of the validation exercise, which showed an agreement rate of 92 per cent;

(v) To endorse, for remuneration comparison purposes, the results of the 1995 grade equivalency exercise with the comparator civil service;

(b) In respect of the remuneration comparisons resulting from the grade equivalencies, it had decided:

(i) To include SES in remuneration comparisons on the basis of pay levels determined by the established grade equivalencies;

(ii) To include bonuses and performance awards granted to United States and United Nations common system staff (except for those granted to eligible SES staff as meritorious and distinguished awards) and all comparable awards on the United Nations side;

(iii) In order to reflect adequately all the comparator's relevant pay systems in remuneration comparisons, to reduce the dominance of the United States federal civil service General Schedule in the current net remuneration margin comparison process using an equal weighting method applied to United States federal civil service pay systems on an occupation-by-occupation basis.

3. Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations

120. The Commission noted that the margin for 1995 stood at 105.7, taking into account: (a) the 1995 grade equivalency results; (b) a revised New York/Washington differential; (c) the various methodological decisions it had taken, including the revised weighting procedure; and (d) a newly estimated post adjustment classification for New York in November 1995.

Decisions of the Commission

121. The Commission decided to report to the General Assembly a net remuneration margin for 1995 of 105.7, as shown in annex IV to the present report.

4. Identification of the highest-paid national civil service

(a) Background, mandate and process

122. In response to the Commission's report on the 1989 comprehensive review of the conditions of service of the Professional and higher categories, the General Assembly, in section I.B of its resolution 44/198 of 21 December 1989, requested the Commission to propose a methodology for carrying out periodic checks, every five years, to determine which was the highest-paid civil service. In 1991, the Commission proposed a two-phase methodological approach, which was endorsed by the Assembly in section VI of its resolution 46/191 A of 20 December 1991. This methodology is reproduced in annex V to the present report.

123. The Commission made a preliminary review of the conditions of service of 11 national civil services in 1991. It concluded that three civil services - those of Germany, Japan and Switzerland - merited further review under phase I of the methodology. In 1994, the Commission selected Germany and Switzerland for study under phase II of the methodology while noting that, resources and time permitting, it would have been preferable to proceed with a phase II exercise for all three national civil services. 6/

124. The first step of the phase II methodology calls for the establishment of grade equivalencies as the basis for remuneration comparisons. This is done by analysing a sample of jobs in the civil service under review and applying the ICSC Master Standard to the positions selected. A stratified sample is selected on the basis of the most populous occupations and grade levels of the common system, in order to ensure that the results are applicable to a broadly representative segment of the common system population. The second step is the application of the ICSC Master Standard to the positions selected in order to determine, on the basis of job content, the grade equivalencies that are the starting-point for remuneration comparisons.

125. In the case of both the Swiss and the German civil services a collaborative effort was required between civil service officials and ICSC secretariat representatives to establish the sample and identify civil servants to participate in job interviews in order to collect the data necessary for the application of the Master Standard. The process followed in determining grade equivalencies was substantially the same as that used with the current comparator. Further details regarding the grade equivalency phase are given in paragraphs 130 and 139 below (for the Swiss civil service) and paragraphs 143 to 144 and 155 to 163 (for the German civil service).

126. Once grade equivalencies have been determined, the rest of the steps in the phase II methodology can proceed. These steps include a comparison between the United States federal civil service and each of the potential comparators (i.e., Germany and Switzerland) of not only all salary elements but also retirement, health insurance, leave and working hours. Appropriate taxes and exchange rates are applied in this process, together with cost-of-living adjustments between Washington and the capital city of each potential comparator. This adjustment is based on the cost-of-living measurement methodology approved by the Commission and noted by the General Assembly for comparisons with the current comparator.

127. For the total compensation comparison, the methodology developed by the Commission for United Nations/United States comparisons during the 1980s was utilized with some modification required to reflect current realities. The total compensation methodology and comparisons based thereon were reported to the General Assembly during that period. The methodology uses a standard population against which all benefit provisions are measured. In this way objective differences in plan provisions may be measured. In the current total compensation comparisons with the Swiss and German civil services, an outside consultant, who uses substantially the same methodology developed by the Commission, was retained for the detailed pension and health insurance analysis. The consultant also uses this methodology in contractual work with other clients, including United States Government agencies. As part of the methodology, the German and Swiss salaries, which were considerably above those of the United States federal civil service, were adjusted in the context of total compensation comparison. These adjustments took account of: (a) cost-of-living differences between Washington and the headquarters cities of the potential comparators; and (b) differences in work time. The effect of these detailed adjustments in the case of the Swiss and German civil services is reported in paragraphs 142 and 164 to 166 respectively.

128. The methodology used for the cost-of-living measurement between Washington, D.C., and the capitals of the potential comparators was identical to that used for New York/Washington cost-of-living measurements. As a result, both renters and homeowners were included in the comparison even though a strong technical argument could be made to include only renters, since the results of the

international comparisons relate to appropriate levels of United Nations common system remuneration, i.e., based largely on a renter population. The inclusion of renters would have lowered the amount by which German and Swiss salaries were deflated for cost-of-living differences (i.e., the German and Swiss salaries to be compared with United States salaries would have been higher). Furthermore, the standard cost-of-living differential methodology developed for use in United States/United Nations comparison represents a conservative approach as it applies negative adjustments to the potential comparators' remuneration. By contrast, neither the Swiss nor the Germans adjust negatively the salary levels of their base cities (Bonn and Berne) when assigning staff to Washington.

129. In the context of the application of the Noblemaire principle, the Commission was provided with information on the level of expatriation benefits for the German, Swiss and United States civil services. The information showed that expatriation entitlements for all three civil services (United States, German and Swiss) represented at least 30 per cent of base salary, compared with a 15 per cent margin in the common system for expatriation and other costs. In addition, housing was normally provided at a subsidized level.

(b) Grade equivalencies and remuneration comparisons with the Swiss civil service

Introduction

130. The Commission was presented with the results of the comparison with the Swiss federal civil service. The grade equivalency study included a sample of 105 jobs in the Swiss civil service which had been graded against the ICSC Master Standard in accordance with the standard method and process described in paragraph 124 above. The validation exercise by Swiss classification specialists had resulted in a confirmation rate of over 90 per cent.

131. In respect of the total compensation comparisons, the consultant reported that Swiss civil service pension and health insurance benefits were valued considerably below those of the United States federal civil service. Swiss civil servants paid half the cost of pension benefits, whereas the United States paid for more than half of this benefit for its employees. As regards health insurance benefits, the Swiss civil servants paid virtually the entire cost of the coverage, while for United States civil servants, coverage was subsidized by the employer. Swiss civil servants had approximately the same amount of leave as United States federal civil servants, while weekly work hours (42 hours) were higher than in the United States federal civil service (40 hours per week).

132. Adjustment for differences in work time between the Swiss and the United States civil services had almost no impact. The effect of the cost-of-living adjustment between Washington and Berne had been to reduce Swiss salary levels. Prior to such adjustment, they were considerably above those of the United States federal civil service. The total compensation results for the Swiss federal civil service are shown in table A of annex VI to the present report. Results showing the comparison for the main components of total compensation (salary, pensions and health insurance) are given in table B of the same annex. Also shown in the annex is the actual net Swiss salary before and after adjustment for cost-of-living differences between Berne and Washington, and for work-time standardization.

133. The results of the total compensation comparison between the United States and the Swiss civil services showed that the remuneration package of the Swiss civil service was 85.8 per cent of the United States civil service.

Views of the organizations

134. CCAQ wished to make some general comments on the total compensation methodology used for remuneration comparisons, which applied equally to comparisons with the German civil service (see paras. 143-171 below). CCAQ was firmly of the view that total compensation was the correct basis for comparisons between civil services. The value of, inter alia, health insurance provisions and particularly pension arrangements was very important in the recruitment and retention of staff.

135. CCAQ was pleased that the consultant responsible for cost-of-living measurements between New York and Washington (Runzheimer) had been selected for the current exercise. Unlike many other readings of cost-of-living relativities, the Runzheimer model had the distinct technical advantage of being reversible.

136. Application of the total compensation methodology, as established by the Commission and approved by the General Assembly, showed clearly that the Swiss civil service was not the highest paid. However, the expatriate benefits paid to non-diplomatic Swiss civil servants were significantly higher than those of the common system.

Views of the staff representatives

137. The representative of CCISUA welcomed the completion of phase II of the study of the best-paid national civil service under the methodology established by the Commission in 1991. In the past, political considerations had been brought to bear in addressing this issue, including the Commission's decision to divide the study into two phases, which had delayed its completion by several years. CCISUA hoped that the Commission would now approach the study of this question on technical grounds. The analysis before the Commission was based on a total compensation comparison approach under which all remuneration and benefits elements in the Swiss and German civil services had been quantified and compared with those provided by the current comparator. With regard to expatriate benefits, she noted that only an indication of orders of magnitude had been given in the secretariat documents, since the Commission had yet to develop a methodology for quantifying such benefits. In 1981, ICSC had indicated its intention to develop such a methodology, but it was still to do so. Preliminary estimations showed, however, that the German, the Swiss and the United States expatriation benefits were considerably more generous than the United Nations expatriation package.

138. She pointed out that total compensation comparisons were essential not only because some national civil services assigned more importance to benefits than remuneration and it was crucial to capture this aspect in the comparisons, but also because of the existence of a fixed margin range. CCISUA therefore believed that the Commission should resume its former practice of carrying out total compensation comparisons with the United States federal civil service. Finally, she noted that the Swiss civil service remuneration had been adjusted over the years to take into account consumer price index (CPI) movements, which was not the case with the remuneration of the current comparator.

Discussion by the Commission

139. The Commission confirmed the results of the grade equivalency study and noted that the validation exercise carried out with Swiss classifiers had resulted in a highly satisfactory confirmation rate of over 90 per cent. The

Commission reviewed the application of the total compensation methodology to the health and retirement benefits of the United States and the Swiss federal civil service.

140. One member informed the Commission that corporations in his country did not favour the type of total compensation comparisons that took into account only salaries and benefits but ignored the wider social and economic context. He believed that a wider focus was required for international comparisons, including consideration of the provision of free or subsidized public goods and services, particularly with regard to health, education and other human services. He pointed out the differences between Switzerland and the United States and contrasted the results of the total compensation comparisons, which showed Swiss civil service incomes below those of the United States while Swiss per capita income far exceeded that of the United States.

141. ICSC further noted that Swiss expatriate benefits were estimated as exceeding domestic civil service base salary levels by at least 30 per cent. This was seen by some members as further indication that a margin range of 10 to 20 was not realistic.

142. ICSC concluded that, in view of the results of the total compensation comparison, which showed the United States civil service to be ahead of the Swiss federal civil service by 16 per cent to 17 per cent, the Swiss federal civil service could not be considered as an alternative to the current comparator civil service.

(c) Grade equivalencies and remuneration comparisons with the German civil service

Introduction

143. The Commission had reviewed at its forty-first session the results of the grade equivalency study conducted in accordance with the established methodology and process described in paragraphs 124 and 125 above, building also on the experience of the 1981 equivalency study with the German civil service. The number of occupational groups included in the 1994 study had been augmented to increase the representation of common system jobs. The sample of 103 jobs used in the survey had included occupational groups covering 75 per cent of common system jobs. Most of the jobs were performed by staff in the Beamte group, although some jobs in the Angestellte group had been included; these accounted for 16 per cent of the sample, representing the proportion of Angestellte to Beamte jobs in federal ministries in Bonn.

144. The Commission was informed at that time that it had not been possible to conduct a validation exercise with the German civil service, although an initial meeting had been held with a German official. As at the time of the 1981 equivalency exercise, the German Government maintained a series of grade equivalencies for its own purposes; however, the basis for those equivalencies was not specified. The Commission had decided to proceed with further remuneration comparisons on the basis of the proposed equivalencies, subject to refinements that might be required as a consequence of the exercise to validate the grade equivalencies on the basis of the ICSC Master Standard. It agreed that the secretariat should follow up on the matter. Further attempts in this regard during the inter-sessional period had resulted in a member of the ICSC secretariat travelling to Bonn, *inter alia*, to follow up efforts to encourage the German Government's participation in a validation exercise. Despite multiple attempts on the part of the secretariat, it had not been possible to

secure the agreement of the German Government to proceed with a validation exercise.

145. In accordance with the Commission's decision, the secretariat had proceeded with the total compensation comparisons, using the established methodology as described above. The consultant's report showed that the German civil service provided superior pension and health insurance benefits to those of the United States federal civil service, primarily because of the lack of an employee contribution for both pensions and health insurance by German civil servants (Beamte). German civil servants' work hours were less than those of the United States federal civil service, while vacation periods were longer. Adjustments for work time had had the effect of increasing German salary levels. Adjustments for cost of living between Washington and Bonn had deflated German salary levels by some 20 per cent. Prior to any adjustment German salary levels were higher than United States salaries. The total compensation results for the German civil service are shown in table A of annex VII to the present report. Results showing the comparison for the main components of total compensation (salary, pensions and health insurance) are given in table B of the same annex. Also shown in the annex is the actual net German salary before and after adjustment for cost-of-living differences between Bonn and Washington, and for work-time standardization. The results of the total compensation comparison between the United States and the German civil services showed the remuneration package of the German civil service to be 110.5 per cent of the United States civil service.

Views of the organizations

146. CCAQ had taken note of the exchanges with the German civil service and the visits made by the secretariat to discuss the findings of the study in respect of both grade equivalencies and remuneration comparisons. CCAQ, for its part, had full confidence in the grade equivalency results, which were based on a sound job classification approach. That was the only acceptable manner of comparing job levels between civil services; any attempt to work through job titles or ranking would totally defeat the integrity of such an analysis and would not provide a sound basis for matching jobs of comparable worth.

147. With regard to remuneration comparisons, CCAQ reiterated the importance of the total compensation approach. Both the German and the United States civil services provided generous pension arrangements to their employees, but the United States pension system was partly funded by the federal civil servants, whereas German civil servants made no contribution to their pension fund. That difference had significant remuneration consequences.

148. CCAQ supported the findings of the study that the German civil service was the highest-paid civil service. There was thus a gap between the remuneration of this highest-paid civil service and that of the United Nations common system, which was in derogation of the Noblemaire principle. He recalled that ACC had endorsed the conclusion of the June 1995 meeting of senior administrators that, in the event of such a finding, there should be an upward adjustment of the margin range in order to begin to close the gap.

149. The representative of the United Nations requested clarification as to whether the validation exercise was a formal requirement under the approved methodology.

150. At the time of the Commission's adoption of its annual report dealing with this issue, the Chairman of CCAQ expressed the organizations' concern with

regard to attempts to present the United States/German comparisons in terms of net remuneration ratios which were not part of the agreed methodology.

Views of the staff representatives

151. The representative of CCISUA welcomed the grade equivalency results. She noted that there were certain similarities between the common system and the German civil service that did not apply to the current comparator. These included: (a) the requirement for more than one language: CCISUA believed that if the current comparator was retained, a factor should be calculated for application to margin comparisons to take this into account; (b) a university degree was a requirement - this was not the case in the United States federal civil service; and (c) seniority/age were recognized as in the United Nations civil service. These characteristics probably made the German civil service a more adequate comparator than the current one.

152. From the total compensation comparison carried out in accordance with the methodology adopted by the Commission in 1991, it was clear that the German civil service paid its employees salaries that were, on average, 15 per cent higher than those of the current comparator (see also the comments of the CCISUA representative on total compensation comparisons in paras. 137 to 138 above). References to net remuneration comparisons at the current stage were inappropriate. On the basis of net remuneration alone, the Swiss civil service were far ahead of the current comparator. If that was the criterion to be used - and that meant changing the current methodology - the Commission should reopen the consideration of the Swiss civil service. She stressed that comparisons were being established between the current comparator and other potential comparators, without reference to the United Nations.

153. Dominance considerations as they applied in the context of net remuneration comparisons between the United Nations and the United States federal civil service were, therefore, not relevant to this issue. Attempts at reducing dominance in the German civil service were a misuse of a statistical procedure as a pretext for avoiding proper remuneration comparisons. Such a statistical method could only be applied with regard to a remuneration system like the United States federal civil service, which had had recourse to a proliferation of pay systems aimed at overcoming its lack of competitiveness. The German civil service, on the other hand, was a monolithic system and there was no technical reason for reducing dominance of any kind.

154. The CCISUA representative added that the use of an outside source instead of the post adjustment indices for estimating purchasing power differences was also a major improvement. The salaries of the German civil service, unlike those of the current comparator, had been adjusted by cost-of-living movements, which explained to a large extent its competitiveness vis-à-vis that of the United States federal civil service.

Discussion by the Commission

155. The Commission recalled that at its forty-first session it had been informed that the German authorities had reservations about certain aspects of the grade equivalency study and that they maintained a different set of grade equivalencies for their own purposes. The Commission had concluded that since the equivalencies presented by the secretariat were based on an analysis of comparable duties and responsibilities under the ICSC Master Standard, there was no reason to modify the results of its studies. As noted in paragraph 144 above, it had decided that remuneration comparisons should proceed on the basis

of the proposed equivalencies, subject to refinements that might be required as a consequence of the validation exercise.

156. Subsequent attempts by the ICSC secretariat to follow up on the validation exercise had, as also noted above, proved fruitless. During the course of its forty-second session, the Commission was apprised, by means of two formal letters and other less formal contacts, that the German authorities contested the results of the grade equivalencies, which they considered as being one grade too high. Their reasons were twofold: the limited scope of the sample selected for the exercise and the questionable applicability of the Master Standard to German federal civil service posts.

157. The Commission was concerned that it had not been possible, despite the efforts made, to carry out a validation exercise with the classification specialists of the German civil service. It noted that validation exercises had been very successfully carried out with the current comparator and, in the context of the current studies, with the Swiss federal civil service, the World Bank and OECD. These exercises had resulted in confirmation rates of 90 per cent and more. Some discussions took place on the import of the concerns raised by the German authorities. For some, the information now presented raised serious new concerns; others considered that in essence the information added nothing to what had already been known at the forty-first session, when the Commission had approved the grade equivalency results in principle and had agreed to proceed with the exercise. As regards the various issues raised by the German Government, the Commission considered that it was not its place to speculate about reasons: it should deal with the issues on a technical basis.

158. It was noted that the validation exercise was not part of the formal methodology for identifying the highest-paid national civil service, but rather a practice that had developed over the years with the current comparator. There could therefore be no question of the entire process being held hostage to the validation. It was none the less incumbent upon the Commission to examine whether the concerns underlying the competent German authorities' reluctance to engage in a validation exercise were relevant in terms of the parameters of the study.

159. The Commission proceeded to analyse in detail the two main issues raised by the German authorities. The first revolved around the fact that all the jobs included in the grade equivalency study were located in the federal ministries; in the German authorities' view, executing agencies should also have been covered. The Commission was informed that the established process called for a comparison between jobs at the headquarters/base of the two systems. The initial selection of jobs for the grade equivalency exercise had been made jointly by the ICSC secretariat and officials of the German Government. There were no executing agencies in Bonn, the headquarters of the German federal civil service; hence, those agencies had not been included. In this connection, the planned relocation of the German federal civil service to Berlin was discussed. It was recalled that that matter had been tabled at the time of the initiation of phase I of the study but had not been pursued. It was also noted that the executing agencies were composed predominantly of Angestellte staff. The Commission recalled that the sample selected for the current study included Angestellte jobs in the ministries. The results showed no discernible difference between grading patterns in the Beamte and Angestellte groups, except that there were practically no Angestellte positions at grades equivalent to P-5 and above. The grading pattern between Angestellte and Beamte determined by application of the ICSC Master Standard was, moreover, supported by the grade equivalencies established between the two groups by the German authorities. A

view was none the less expressed that, because the executing agencies had not been included in the study, it was not possible to ascertain whether the same correlation in grading patterns existed between staff in the ministries and those in the executing agencies. The secretariat responded at several points that German officials had informed the secretariat that there was no difference in duties and responsibilities between Beamte and Angestellte.

160. One member was also not convinced of the statistical validity of the sample selected. The secretariat pointed out that the sampling techniques employed had measured the remuneration of 95 per cent of German civil servants within ±2 per cent. In statistical terms, that was tantamount to a 95 per cent level of confidence in the results. The sample for the German study was proportionately larger than that used for the United States grade equivalency studies. The Commission had accepted the sampling techniques used in all other such studies.

161. On the issue of the applicability of the ICSC Master Standard to the German civil service, which did not follow a fully rank-in-post approach, the Commission was informed that the approach used in all grade equivalency studies, prior and ongoing, had been to measure the nature of the work performed, not the qualities of post incumbents. In the case of the German civil service, that had been done through a rigorous process of on-site interviews and corroboration of the results by two classifiers, with the full cooperation of all the ministries concerned. What had emerged was that even though the German civil service had a rank-in-person component, it was possible to measure the relative worth of jobs on the basis of job content. The secretariat noted that experience with the Senior Executive Service of the current comparator (which followed an in-person approach) and with the Swiss civil service (which had a hierarchical career structure similar to the German civil service) supported the applicability of the Master Standard to situations that were not strictly rank-in-post. That explanation notwithstanding, a few members of the Commission remained concerned about the German authorities' view that the grade equivalencies resulting from the study were one grade too high. In that connection it was observed that the German authorities had not provided any supporting material for this statement and no information had been provided as to the classification criteria used for such comparisons. The Commission was also provided with the results of an alternate German/United States comparison, using grade equivalencies established by OECD (on the basis of which annual remuneration data were provided by Germany to OECD) and ICSC-approved OECD equivalencies. This showed German civil service total compensation to be 113.7 per cent that of the United States federal civil service (see annex VIII). That finding indicated that the grade equivalencies arrived at in the current ICSC study were, if anything, conservative.

162. Some members suggested inviting a representative or representatives of the German authorities to review the specifics of their concerns. It was concluded that that would not be feasible for a number of reasons. It was also queried whether such an exchange would add much to a discussion the parameters of which were already well understood.

163. Some members were of the view that the equal weights approach that the Commission had decided to apply to pay systems in the United States federal civil service should also be applied to the Beamte and Angestellte groups of staff in the German civil service, in order to reduce the dominance of the Beamte group. It was noted by others that dominance reduction in the case of the United States federal civil service had been a policy decision designed to tackle an uncompetitive situation. It was difficult to see how that logic applied to the case of the German civil service, which had two competitive pay

systems with total compensation packages that were within three or four percentage points of each other. In any event, if such an approach were taken the total compensation margin between the United States and the German civil services would change by just 3.2 percentage points.

164. The Commission examined the issue of the impact of exchange rates on the cost-of-living differentials. It was informed by the secretariat that the total compensation comparison had been derived using both price and salary components. These incorporated exchange rate adjustments that cancelled each other out; exchange rate fluctuations thus had no impact on the compensation comparison. In essence, the total compensation comparison was a real income comparison which was unaffected by exchange rate fluctuations. It was, however, observed that if a cost-of-living differential had not been applied to deflate the German and Swiss comparisons (by 20 per cent and 33 per cent, respectively), these would have shown much higher ratios, although they would have been subject to the full impact of exchange rate fluctuations.

165. Some members said it was an error to deflate salaries for cost-of-living differentials, because when the methodology to take this element into account had been developed the price levels in the potential comparators were lower than in the current comparator. Therefore, in order to attract and retain nationals of those countries it would be necessary to increase their national salaries by the cost-of-living differential. When, as in the cases under discussion, the price levels of the potential comparators were higher, it was not logical to expect Swiss and German nationals to be attracted by lower salaries even if the cost of living were lower. These calculations should therefore be considered flawed; the Swiss and German comparisons should be increased by 33 per cent and 20 per cent, respectively.

166. The Commission reviewed in detail the application of the total compensation methodology to the health and retirement benefits of the United States and the German federal civil services. With regard to these comparisons, members of the Commission sought and received clarification on a number of methodological and other issues. The question was raised as to whether the frame of reference used by the consultant for pension and health insurance schemes - the entire United States federal civil service population - was appropriate; some members suggested that the health schemes evaluated should have been those relevant only to the United States civil service population in Washington. The study of the German versus the United States health and pension benefits did not compare like with like. The value of the German benefits was derived from a sample of 100 jobs taken from ministries in Bonn, which was not representative of the German civil service as a whole. On the other hand, the United States benefits were based on the nationwide population and did not reflect the sample drawn in Washington. In fact, only two of the health plans used in the comparison were among the top six plans of choice in Washington. It was noted, however, that this approach would depart from the standard population used in the exercise and in any event would not improve the technical validity of the exercise. In regard to this and other points raised regarding the relative worth of benefits, the Commission was informed that the approach used by the consultant to analyse the German, Swiss and United States civil service benefits was the standard Hay method. Under that method the relative value of the retirement and health benefit programmes in the three civil services had been measured, rather than the absolute values of the programmes. Moreover, the benefits and premiums of national programmes were set for the enrolment as a whole and not for employees in a specific geographical group. The standard Hay method could be adapted to meet any particular specifications, but in the current case would produce

marginally different results, i.e., approximately 0.3 percentage points difference from that measured by Hay.

167. The Commission accepted that the results of the comparison derived from a proper application of the established methodology, although the position of one member was reserved as regards health insurance schemes. That member also considered that life insurance schemes should have been factored into the equation (an observation applying also to the Swiss civil service total compensation comparison). The secretariat informed the Commission that it had decided in the past to forgo life insurance comparisons owing to the minimal value of the benefit.

168. Further discussion revealed that a very substantial majority of members of the Commission were satisfied that the study on the German civil service, which had been carried out in accordance with the methodology established by the Commission itself, was technically valid. Those members thus accepted the results of the study, i.e., that the German civil service was better-paid than the current comparator. They further considered that that conclusion by a substantial majority would have important implications for the outcome of the Commission's deliberations on the competitiveness of common system remuneration.

169. Two members considered that there were some outstanding matters to be resolved, while acknowledging that the potential existed for Germany to be the comparator civil service. Two other members had reservations on specific technical aspects of both the grade equivalencies and the remuneration comparisons and did not consider that Germany was a viable comparator or that the data should be used to set common system pay levels. Some members stated that although there were various technical interpretations of the comparisons, those comparisons ranged from 107.3 for the most conservative interpretation to 130.0 for a more flexible application of the methodology.

170. The Commission noted that it seemed difficult to bring the discussion on the German study to a conclusion. Matters appeared, at least temporarily, to be stymied in terms of validating the results of the grade equivalencies which served as the basis for the remuneration comparisons. That posed practical problems. A view was expressed that the situation was cause for concern as to whether the entire process of identifying another comparator was a viable undertaking. The Commission wished in that connection to reaffirm the need to respect the Noblemaire principle. It concluded that, notwithstanding a strong presumption in favour of the German civil service as a comparator, the conditions for changing the comparator were not, under the current circumstances, in place.

171. Some members considered that the above conclusion should not preclude further efforts to resolve outstanding differences with the German federal civil service authorities; another view was expressed that the German civil service could not be the comparator and the matter should be put to rest.

Decisions of the Commission

172. The Commission decided to report to the General Assembly that, with regard to the study of the highest-paid national civil service, it had concluded the following:

(a) With regard to the Swiss civil service:

(i) On the basis of grade equivalencies established by application of the Master Standard to Swiss civil service positions:

a. The net remuneration of Swiss civil servants, before any adjustment for cost-of-living differential between Berne and Washington and standardization for leave and work-hour provisions, was 53 per cent higher than that of the United States federal civil service; 7/

b. The net remuneration of Swiss civil servants, after adjustment for cost-of-living differential between Berne and Washington and standardized to a United States work year, i.e., adjusted for differences between the Swiss and the United States work schedules, was 2 per cent higher than that of the United States federal civil service;

c. The retirement benefit of the Swiss federal civil service was 57 per cent in value of that of the United States federal civil service;

d. The Swiss federal civil service did not provide a subsidized health-care benefit while the United States federal civil service provided such a benefit to its employees;

e. Leave and work-hour provisions of both federal civil services were approximately equal;

f. The total compensation comparison showed that the Swiss civil service was 85.8 per cent of that of the United States federal civil service;

(ii) Given the overall superiority of remuneration levels of the United States federal civil service demonstrated by the results of the total remuneration comparison between the Swiss and the United States federal civil services, the Swiss federal civil service could not be considered as an alternative to the current comparator civil service;

(b) With regard to the German civil service:

(i) On the basis of grade equivalencies established by application of the Master Standard to German civil service positions:

a. The net remuneration of German civil servants, before any adjustment for cost-of-living differential between Bonn and Washington and standardization for leave and work-hour provisions, was 5 per cent higher than that of the United States federal civil service; 7/

b. The net remuneration of German civil servants, following adjustment for cost-of-living differential between Bonn and Washington but without standardization for leave, work-hour provisions and required health-care and pension contributions, was 14 per cent lower than that of the United States federal civil service; 7/

c. The net remuneration of German civil servants, after standardization for cost-of-living differences between Bonn and Washington, leave and work-hour provisions as well as the required pension contributions, was 8 per cent higher than that of the United States federal civil service;

d. Retirement and health insurance benefits of the German civil service were superior, by 24 per cent to 28 per cent, to those of the United States federal civil service primarily because of the absence of any employee contributions for 84 per cent of the civil servants in Bonn;

e. Leave and work-hour provisions of the German civil service were superior to those of the United States federal civil service;

f. The total compensation comparison showed that the German civil service remuneration package was 110.5 per cent of that of the United States federal civil service;

g. The Commission would continue to monitor the total compensation of the German civil service and would update the current data annually;

(ii) Notwithstanding a strong presumption in favour of the German civil service as a comparator, the conditions for changing the comparator were not, under current circumstances, in place;

(iii) In view of the request of the General Assembly to examine all aspects of the application of the Noblemaire principle with a view to ensuring the continued competitiveness of United Nations common system remuneration, the superior conditions of the German civil service *vis-à-vis* those of the United States federal civil service could be considered as a reference point for margin management.

5. Reference data on the Organisation for Economic Cooperation and Development and the World Bank

Introduction

173. As reported to the General Assembly in 1994, the Commission decided, in the context of its study of all aspects of the Noblemaire principle, to collect information on the World Bank and OECD for reference purposes. To that end, the Commission undertook grade equivalency studies with those organizations, which followed the same pattern as other studies in the current round.

174. Both OECD and the World Bank had raised issues of detail with regard to the equivalency study and related remuneration comparisons. These were resolved with both organizations, and validation exercises were conducted with the classification specialists of the two organizations. Those exercises resulted in agreement rates of 95 per cent in the case of OECD and 100 per cent in the case of the World Bank.

175. The Commission was informed that, based on the results of the grade equivalency studies, OECD and World Bank remuneration levels were 49.5 and 39.0 per cent, respectively, above those of the United Nations common system.

Benefits of the two organizations, which were compared to those of the common system on the basis of a review of benefit provisions, appeared more valuable.

Views of the organizations

176. The Chairman of CCAQ noted that the information provided in the documentation before the Commission confirmed that the remuneration levels of the World Bank Group and those of the coordinated organizations were significantly higher than those of the United Nations common system at every location in the world. Pension and health insurance provisions were also better for the staff of those international organizations everywhere in the world.

177. It had been argued that the work carried out by the World Bank and the coordinated organizations was different from that of the United Nations organizations. That was simply not correct. CCAQ had already presented ICSC with a serious study of the work carried out by those international organizations. Some common system organizations were working together with those organizations on joint projects. World Bank staff themselves acknowledged that the two entities were very similar. Moreover, the Bank Group belonged to the United Nations system, not the common system of salaries and allowances, but the former system was linked to the Charter of the United Nations to achieve international cooperation and solve international problems of an economic, social, cultural or humanitarian character.

178. Similar parallels could be drawn between operations in some parts of the coordinated organizations and some parts of the United Nations common system. The International Atomic Energy Agency and the European Atomic Energy Agency (Euratom), on the one hand, and the International Civil Aviation Organization (ICAO) and the European Organization for the Safety of Air Navigation (EUROCONTROL), on the other, were but two examples of entities that undertook joint projects and shared tasks and personnel.

179. The information presented to date confirmed that OECD and the World Bank were significantly better employers than the United Nations system in terms of both net pay and other benefits. In that connection, the CCAQ Chairman drew attention to the World Bank's work/family provisions. CCAQ saw those international organizations, which were competitors for staff, as important reference points, among others, in a formula on which the margin range would be based.

180. During the discussion CCAQ drew attention to a report on the World Bank and the International Monetary Fund (IMF) recently issued by the General Accounting Office. 8/ The report noted, inter alia, that United Nations pay rates were "substantially lower" than those of the World Bank because they were derived by adding a premium of at least 10 per cent to United States Government rates.

181. The representative of the United Nations introduced information presented by the United Nations and CCISUA. Information on job offers made by the World Bank showed that the Bank was in direct competition with the United Nations for staff. The methodology used by the Bank for determining its remuneration was based on a broad cross-section of the United States, French and German public and private labour markets. Compensation was not set in order to compensate for high-risk banking functions; in fact only a minority of Bank staff were involved in investment banking activities. Moreover, the United States public-sector remuneration levels used by the World Bank in its comparisons were taken at a higher level than the points of comparison for the United Nations system.

182. He noted also that it was clear that, in resolution 47/216, the General Assembly had expanded the interpretation of the Noblemaire principle to allow for comparisons with other international organizations, such as the World Bank.

Views of the staff representatives

183. The representative of CCISUA drew attention to the detailed information provided in the joint United Nations/CCISUA presentation on the salary-setting methodology used by the World Bank. That showed, inter alia, that the comparator pay systems selected, combined with the use of the 75th percentile weighting method, resulted in serious discrepancies between the remuneration of common system staff and those of the World Bank, even where United States average figures were used as the point of comparison.

184. She recalled that the comparison of United Nations and World Bank pension benefits showed that the latter benefits were at least 30 per cent higher than those of the common system. Another important indicator was work-family arrangements, an area in which the World Bank was considerably more advanced than the United Nations system.

Discussion by the Commission

185. The Commission recalled that the information collected by the secretariat on the World Bank and OECD was reference data, linked to its discussion of the Noblemaire principle and the overall issue of common system competitiveness (see paras. 73-88). Thus, while the grade equivalencies had been conducted according to the standard process used in the other studies, the resulting remuneration comparisons had been arrived at on the basis of a more limited (cash compensation) approach, owing to the reference nature of the studies. Some felt that a more comprehensive comparison (including not only a broad range of allowances and benefits, but more qualitative elements such as recruitment requirements, merit/seniority considerations, career span, security of employment, etc.) would have been desirable. On balance, however, it was concluded that the investment of time and money required would not be warranted in the context of reference studies.

186. The Commission noted that the OECD data showed a very sizeable difference between the remuneration packages of OECD and the common system, using Washington as a base. While confirming that the secretariat's use of Washington as the place of comparison was technically correct in terms of the established methodology, the Commission considered that Paris would also be a useful basis for comparison (given that OECD had very few staff in Washington). The Commission noted, however, that remuneration comparisons conducted with Paris as the base yielded results virtually identical to those using Washington as the base of comparison.

187. The Commission took note of the information before it and concluded that the OECD grade equivalency exercise had been carried out in a professionally rigorous manner. Furthermore, the validation rate was 95 per cent, based on a review of the total sample. The remuneration comparisons conducted on the basis of those grade equivalencies showed the remuneration package of OECD to be in the order of 50 per cent above that of the United Nations system. Note was also taken of the information presented by CCISUA regarding OECD social security provisions. Although a full actuarial evaluation had not been carried out, the OECD pension and health insurance schemes appeared to be more generous than those of the United Nations.

188. An exchange of views then took place as to how relevant the above information was to the United Nations context. The question was raised whether OECD, which was an organization with a limited membership of mainly developed Member States, could be an appropriate point of reference for a universally based employer like the United Nations system. It was, however, pointed out that OECD member States accounted for a significant proportion of both the budget and the staff of the United Nations system; over 55 per cent of common system Professional staff were drawn from OECD member countries and those countries provided approximately 80 per cent of the cost of United Nations budgets. Others pointed out that the OECD remuneration levels were paid exclusively to the nationals of the 25 OECD member States. Some considered that, quite apart from the fact that the scope of OECD membership was expanding, the inference that pay levels might be set below the best because of the universal membership of the United Nations was contrary to the spirit of the Noblemaire principle.

189. With regard to the World Bank, the Commission endorsed the grade equivalency exercise, which had resulted in a validation rate of 100 per cent. It noted that the remuneration comparisons based on those equivalencies had resulted in salary levels that were 39 per cent higher for the World Bank than the common system. Furthermore, the World Bank Group retirement and health insurance schemes also appeared more generous than those of the United Nations system, although, as in the case of OECD, they had not been subjected to actuarial scrutiny. The Commission recalled the discussion it had had at its May 1995 session as to whether the World Bank was an appropriate reference point for the common system. The Commission noted that jobs in the finance and investment sectors/disciplines together accounted for around 13 per cent of World Bank Professional staff; economists, technical specialists and administrative specialists accounted for 18 per cent, 24 per cent and 13 per cent, respectively. The Commission took note of statements by several organizations stressing the functional congruence between the United Nations system and the World Bank. Organizations referred in that regard to a number of joint programmes in which United Nations system and World Bank staff worked side by side on projects, performing the same functions; attention was also drawn to the consequent problems of loss of staff to the World Bank associated with such situations. With the shifting dynamics of programme delivery, that occurrence would only increase.

190. The Commission also took note of the additional information provided by the United Nations and CCISUA. A significant degree of functional similarity did indeed exist between the Bank and the common system; overstressing the similarity was not, however, seen as helpful. In the final analysis, it had to be recognized that the World Bank Group performed a banking function.

191. Some considered that, in view of its relatively small size and the fact that essentially all its staff worked in Washington, the World Bank did not present a significant challenge to the common system on the international labour market. A view was also expressed that differences in funding modalities should also be taken into account: the international civil service was financed by contributions from Member States, whereas the World Bank was funded through the profits generated (i.e., it was self-supporting). In that connection the Commission was informed by CCAQ that the United States Treasury Department, in commenting on the aforementioned General Accounting Office report, 8/ had noted that it was the borrowing countries that ultimately bore the cost of salaries and benefits in the World Bank Group. That seemed to CCAQ to contradict assertions that the World Bank Group was financially self-supporting.

192. That being said, most members of the Commission considered that the collection of reference data on the World Bank had been a useful exercise that had provided valuable insights. The Commission sought to present the information in a balanced and objective light.

193. The Commission concluded, on the basis of the information before it, that the compensation packages of the United Nations system were not competitive with those offered by OECD and the World Bank Group for equivalent jobs requiring similar levels of competence. That view, however, was not unanimous.

194. Noting that the mandate given by the General Assembly in resolution 47/216 was quite broad and specified the need to maintain competitiveness, some members considered that it would be appropriate for the Commission to bring the information regarding competitive employers to the attention of the General Assembly.

Decisions of the Commission

195. The Commission decided to note with appreciation the established grade equivalencies for OECD and to report to the Assembly that:

(a) The staff of OECD was recruited from its 25 member countries;

(b) On the basis of the established grade equivalencies for OECD, remuneration comparisons made in Washington and Paris showed that OECD cash remuneration was above that of the United Nations common system levels on the order of 50 per cent;

(c) Although a full actuarial evaluation had not been conducted, it would appear, on the basis of a review of benefit provisions, that:

(i) The OECD retirement scheme was more generous;

(ii) The OECD health insurance scheme was better than the United Nations (New York) health insurance schemes because of the higher proportion of expenses covered and the lower employee contribution;

(d) On the basis of the above, it appeared that the compensation package of the common system was not competitive with that offered by OECD for equivalent jobs requiring similar levels of competence.

196. The Commission decided to note with appreciation the established grade equivalencies for the World Bank and to report to the Assembly that:

(a) On the basis of the established grade equivalencies for the World Bank, remuneration comparisons made at Washington showed that the World Bank cash remuneration was above that of the United Nations common system levels on the order of 40 per cent;

(b) Although a full actuarial evaluation had not been conducted, it would appear on the basis of a comparison of World Bank benefit provisions vis-à-vis those of the common system that:

(i) The World Bank retirement scheme was more generous, inter alia, because of a higher accrual rate;

(ii) The World Bank health insurance scheme was better than the United Nations (New York) health schemes, inter alia, because of the cost-sharing ratios (75/25 and 67/33 respectively);

(c) On the basis of the above, it appeared that the compensation package of the common system was not competitive with that offered by the World Bank for equivalent jobs requiring similar levels of competence.

197. Taking all the above considerations into account, the Commission considered that it would be appropriate to use OECD and the World Bank as reference indicators for the competitiveness of United Nations system salaries. The Commission also agreed to reaffirm the long-standing practice of comparisons with the best-paid national civil service under the application of the Noblemaire principle.

6. Base/floor salary scale and structure of the salary scale

Introduction

198. The Commission considered salary scale issues in relation to both the level and the structure of the salary scale. The first consideration was a routine one arising from the General Assembly's introduction of the base/floor concept with effect from 1 July 1990. Resolution 44/198 provided for "the establishment of a floor net salary level for staff in the Professional and higher categories by reference to the corresponding base net salary levels of officials in comparable positions serving at the base city of the comparator civil service". The base/floor system not only provides a minimum level of remuneration for the United Nations system staff but also serves as the reference point for calculating separation payments, mobility and hardship allowance and hazard pay. The base/floor scale is revised annually with effect from 1 March.

199. The Commission was informed that, in view of the further movement of United States federal civil service gross (i.e., before tax) salaries of 3.22 per cent in 1995 (at Washington), an adjustment of the common system's scale of 3.089 per cent would be necessary in 1996 in order to keep the base/floor salary scale in line with the comparator's scale. The established matching point between the comparator's levels GS-13 and GS-14 is the mid-point of the common system scale (P-4/VI) at the dependency rate. Accordingly, it was indicated that any restructuring of the common system scale would need to be anchored around this P-4/VI point.

200. Documentation analysing the possibilities for restructuring the common system salary scale assumed that an increase in the P-4/VI dependency rate salary by 3.089 per cent would be recommended without consolidation. The observation which the Commission had reported to the General Assembly in 1994 that "the opportunity for revising the construction of the United Nations pay scale would only arise upon the implementation of a 'real pay' increase" 9/ was also reflected in the ICSC secretariat documents.

201. The Commission was reminded that there were two main mandates from the General Assembly of relevance to the structure of the salary scale. The first was the request made in 1989, in resolution 43/226 of 21 December 1988, that consideration be given to enhancing rewards on promotion while reducing financial rewards for longevity. The second mandate arose from resolution 47/216 (as reiterated in resolution 48/224) in which the Assembly had requested the Commission "to continue to keep under review the structure of the salary

scale at all levels of the Professional and higher categories, taking into account, inter alia, the overall level of the margin as established by the General Assembly and the imbalance between the margin levels for different Professional grade levels, and to report thereon to the Assembly at its forty-ninth session". An initial report had been made to the Assembly at the forty-ninth session and the review currently under way was anticipated to lead to the submission of a final report. It was recalled that the margin imbalance had been partly corrected over the past few years but that some considerable progress still remained to be made. This position is illustrated in table 1.

202. The Commission was informed that past considerations of salary scale structure had provided a wide range of options for changes in the number and level of grades and steps of the salary scale. Associated with this had been proposals for changing the conditions under which staff proceeded through the salary scale. However, as a salary scale was not an end in itself it was necessary to reconsider the fundamental purpose of a scale so as to ensure that results met the needs of the common system. Accordingly, the remuneration philosophy of the common system required review before specific proposals could be made for revision of the salary scale to change the emphasis of the pay system between responsibility (job levels), seniority and other factors. In this regard it was observed that certain new trends in remuneration practices in the outside world could be pursued by a number of means, including using some of the newer remuneration practices adopted in the outside world. These included the use of performance pay, broadbanding and competencies. However, it was apparent that most of these potential changes were currently not ripe for decision. In the case of competencies, the organization's design work was yet to be completed and progress on performance pay was widely recognized to be premised upon the institution, and achievement, of significant reforms and improvements in performance appraisal systems. Thus while the appropriate balancing of factors (job levels and seniority) within the existing remuneration philosophy of a rank-in-post system could be discussed, there was little realistic basis to expect radical change in the near future towards a full performance-based merit pay system which significantly discounted seniority factors. The questions remaining came down to an examination of appropriate inter-grade and inter-step differentials bearing in mind the overall salary range (minimum to maximum) that would be required to accommodate them and to define appropriate career development expectations. As regards the latter considerations, it was also observed that the common system practice of hiring significant numbers of staff at the middle and higher levels rather than just at junior entry levels meant that competitive rates of pay needed to be provided at each and every level of the base salary scale.

203. The current scale structure was analysed in terms of its evolution over the past 30 years. The salary scale structure was described by four quantitative indicators:

(a) The scale range, which compared the maximum salary, D-2, top step, to the minimum one, P-1, step I;

(b) The inter-grade differentials;

(c) The inter-step differentials;

(d) The grade spans.

Table 1. United Nations/United States net remuneration margin (net of cost of living), 1991-1994

Grade	1991 (reported)	1992 (reported)	1993 (reported)	1994 (reported)
P-1	152.6	153.3	159.8	134.4
P-2	132.9	132.8	132.7	126.4
P-3	122.7	122.1	119.6	120.1
P-4	116.3	115.5	111.7	112.2
P-5	112.2	111.0	106.5	111.3
D-1	109.1	107.9	102.8	98.4
D-2	106.7	105.4	100.1	99.5
P-1/D-2 gap	45.9	47.9	59.7	34.9

It was reported that over time the salary scale had become quite compressed, as an unintended side-effect of post adjustment consolidations. The result was a maximum-to-minimum salary range which had fallen from 3.47 to 2.93. This range compared unfavourably with that of most comparators (see annex IX). This phenomenon had been accompanied by a reduction in the size of inter-grade differentials and an increase in the maximum number of steps from 10 to 15, and as a consequence the rewards for promotion *vis-à-vis* seniority had been progressively eroded over a 30-year period. Calculations of the income which might be derived from a career with no promotions as opposed to a series of promotions showed only a marginal difference between the two careers. This marginal difference had itself narrowed significantly over the years with the compression of the scale (see annex IX, table E).

204. A range of options to improve the scale were before the Commission for consideration. They did not extend to consideration of adding or subtracting grades or steps but rather concentrated on the possibilities for widening the salary scale range (maximum to minimum), widening some of the inter-grade differentials and reducing inter-step differentials. All these techniques were directed towards improving rewards for duties and responsibility and lessening those for seniority. It was also pointed out that revision of the P-1-to-D-2 scale structure would have implications for the upper echelon. In this regard it was presumed that any changes proposed for the D-2 level would not change the inter-grade differential between the Under-Secretary-General and the Assistant Secretary-General levels on one hand and between the Assistant Secretary-General and the D-2 levels on the other. The proposals were therefore based on the assumption that whatever percentage change in salary level were recommended for D-2 posts would also apply to the two higher-level posts (Assistant Secretary-General and Under-Secretary-General).

Views of the organizations

205. The Chairman of CCAQ fully supported the proposal for an adjustment of approximately 3.1 per cent in the base/floor, reflecting increases in comparator levels, with effect from 1 January 1995. The manner in which the revision of the base/floor was to be introduced was closely connected with the consideration of the structure of the salary scale.

206. At issue was the construction of a scale that would meet a number of criteria and be appropriate to the characteristics and needs of the organizations. CCAQ had expressed concerns about (a) the negative impact of the salary scale on career progression and promotion and (b) compression at the top of the scale which, inter alia, did not provide adequate recognition for managers. The long-term objective should be a scale that properly rewarded quality performance and fully reflected the dynamics of organizational change. In the short term, every opportunity should be taken to improve the structure of the scale at the time of real pay increases. Since it appeared that ICSC would be proposing a real pay adjustment in 1996, efforts should be made to improve the structure of the salary scale, within the limits of the overall increase.

207. The ICSC secretariat's proposal for changing inter-grade differentials and revising step levels would move towards a less compressed, less seniority-driven scale. While those proposals were interesting, they raised concerns regarding the balance between the potential increases at the lower and higher grade levels. CCAQ had therefore requested the ICSC secretariat to draw up a scale which would increase all grade and step levels by at least the proposed amount of the upward movement of the base/floor salary scale. Higher increases would be applicable at the top end of the scale, in order to help reduce compression. The revised scale incorporating those criteria was based on the premise that an adjustment of approximately seven margin points would be made, so as to bring the margin to the mid-point of 115. Those seven points had been divided into three elements: (a) a 3.1-point movement at P-4, step VI; (b) two further points of margin movement to adjust inter-grade differentials in order to decompress the top of the scale; (c) the remaining 1.9 points would not be incorporated into the base scale in order, inter alia, to retain relativities with the comparator's base scale; CCAQ proposed that those points should be incorporated into the New York post adjustment. As a result of place-to-place relativities, the same increase would take place at all other locations.

208. While CCAQ had focused on how to restore the margin level to 115, it believed that the same type of approach, which was sound and cost-effective, should be used if the margin were to be brought to a higher level (i.e., part of the increase to be devoted to further modification of the structure and the other part to an across-the-board increase).

Views of the staff representatives

209. The representative of CCISUA supported the proposal for an increase in the base/floor scale. She drew the Commission's attention to the document that reflected CCISUA's views on the ICSC secretariat's analysis and conclusions on the structure of the salary scale. While CCISUA agreed with some of that analysis (in particular the comments relating to remuneration comparisons between the United Nations and the United States federal civil service on the basis of margin levels at individual grades), the conclusions it reached were drastically different. The secretariat's proposals for revision of the structure of the salary scale for the Professional and higher categories were made on the basis of a 4.8 per cent increase in Professional remuneration. CCISUA did not believe it was possible, in the context of such a small increase and given the lack of competitiveness of United Nations salaries at all levels, to provide for increases of the remuneration of staff at the D-1 and D-2 levels that were up to 10 times higher in dollar terms than those to be granted to staff in the Professional category.

210. With regard to comparisons of United States and United Nations remuneration on the basis of individual margin ratios at the D-1 and D-2 levels, she noted

that margin ratios were unreliable for those purposes. Such ratios were arrived at through aggregation of several remuneration levels per United Nations grade; they were considerably influenced by the heavy weight of one occupation (medical doctors); and at the P-1 and D-2 levels they were based on data on only 30 per cent of all the occupations used for margin calculations at the P-3 through P-5 levels. In addition, the gap between the margin levels at P-1 and D-2, which had prompted the General Assembly to request that the structure of the salary scale be revised, had been reduced from 45 per cent in 1992 to 28 per cent as a result of revisions in the margin methodology.

211. If the intention behind the secretariat's proposals was to give less weight to seniority and lay more emphasis on levels of responsibility, it was hard to understand why the current oversized scale, which had a lot more steps than the scales of other international organizations such as OECD and the European Union, had been left untouched. The CCISUA representative proposed that the number of steps per grade be reduced to match the number of steps in other international organizations. It was also difficult to understand why seniority should be rewarded at the D-1 and D-2 levels through steady dollar increases per step and penalized at the Professional levels, where the dollar amount of per-step increases decreased with years of service.

Discussion by the Commission

(i) Base/floor salary

212. The Commission noted that the proposed adjustment to the level of the base/floor salary scale resulted from the application of an established procedure and did not, in and of itself, give rise to problems. A significant impact of the proposed adjustment would be on the allowances which were pegged to the base/floor, notably the mobility and hardship allowance. The Commission noted that concerns had been expressed in that regard. It observed that the adjustments in the base/floor salary scale approved by the General Assembly since 1990 (when the system had been introduced) had accumulated to 28.32 per cent as of 1 March 1995 and would equal 32.3 per cent as of 1 March 1996 if the current proposals were approved. It was recalled that the adjustment mechanism currently in place was modelled on that of the comparator and the increase in the common system base/floor scale was therefore in line with the salary scale adjustments implemented on the comparator side. Adjustments were therefore designed to parallel those of the comparator; in fact the common system adjustment arrangements had a built-in 14-month time-lag vis-à-vis the comparator. The Commission considered that the related impact of the base/floor salary scale adjustment accurately reflected the decisions taken at the time of the 1989 comprehensive review. The Commission further noted that, in accordance with General Assembly resolution 47/216, it would be undertaking a review of the mobility and hardship scheme in 1996. The question of the base/floor salary linkage would be taken up at that time, as the Assembly had requested.

213. The Commission recalled the General Assembly's request that the Commission review and, if necessary, recommend revised rates of staff assessment consequential upon changes in the base/floor salary scale. In that context the Commission invited the Assembly to note that the substantial staff assessment change recommended in 1993 had followed a very extended period in which no adjustments had been made despite a number of changes in the base/floor scale. Those staff assessment changes had taken effect only on 1 March 1994. The Commission had been informed by the United Nations that it was still too early to assess their impact on the status of the Tax Equalization Fund. Given the

relatively small adjustment in the base/floor scale recommended, any consequential changes in the staff assessment scale would also be minor. Accordingly, no recommendation for revised staff assessment rates was currently being made. The Commission would, however, continue to monitor the situation, in conjunction with the United Nations, and make such recommendations in that regard in the future as the evolving situation merited.

214. The financial implications of the implementation of the base/floor salary scale in the context of the mobility and hardship allowance, separation payments and hazard pay are shown under paragraph 267 below.

(ii) Structure of the salary scale

215. The Commission began its consideration by noting that the potential for implementing any structural changes in the scale was entirely dependent upon approval by the General Assembly of related proposals for a real salary increase. In the absence of a real increase it would not be possible to improve the condition of some levels of staff without having a negative effect on pay levels of large numbers of other staff. Such a situation could not be contemplated.

216. It was observed that discussion should proceed from first principles before attempts were made to settle particular technical points. The Commission agreed that the remuneration philosophy of the common system should provide for an improved pattern of rewards for promotion vis-à-vis seniority. The overall approach proposed by CCAQ was acknowledged to be sound and represented an improvement over the initial secretariat proposals in that they guaranteed that all staff would receive net remuneration increases of no less than the 3.089 per cent base/floor increase which was to be proposed to the General Assembly.

217. Nevertheless, the overall effect of applying markedly different levels of net remuneration increases to staff at different levels had to be taken into account. While the CCAQ proposals had the merit of providing a floor amount of increase for all staff, there would be some perceived inequities resulting from any recommendations which provided percentage increases for the upper grades which exceeded those of the middle and lower grades by a factor of three. While the technical reasons for such increases might be clear, given the past compression of the scale and the future need to improve incentives, some moderation of approach was essential if unnecessary problems were to be avoided. Members expressed a clear appreciation for the different positions taken on this point by representatives of both organizations and staff. It was agreed that a more nuanced approach to the current problem was required.

218. The special needs of small technical agencies as well as of field staff in general were considered. It was apparent that, given the pattern of mid- to late-career recruitment of many technical specialists, there were special situations which the current salary scale did not meet well. In particular, the absence of promotion opportunities in the smaller units meant that the scale needed to continue to provide for some salary progression at the same level of responsibility; otherwise such specialists would be without any motivation or incentive to maintain productivity. In the light of this, members agreed with the CCAQ proposal which would leave the inter-step differentials untouched at all levels except the P-1 entry level. The P-1 inter-step would be recommended for reduction from its current level of 3.5 per cent to 2.8 per cent of the value of P-1/I.

219. The particular needs of the small technical agencies were further explored in the light of past considerations which had been entertained for special occupational rates. Some discussion ensued about the possibility of special scales but it was noted that the overall limited size of the common system and the need to retain cohesion meant that the prospects for successfully pursuing this option were no better than they had been a few years previously when the matter had been explored in depth.

220. It was observed that while the structure proposals had been examined in the light of the P-1-to-D-2 situation there were implications for the Assistant Secretary-General and Under-Secretary-General levels as well as the higher-level ungraded officials. It was understood that as regards base salaries the current proposals would maintain the present Assistant Secretary-General/D-2 and Under-Secretary-General/Assistant Secretary-General inter-grade differentials.

221. In the light of the above, the Commission agreed to make proposals to the General Assembly which moderated the CCAQ proposal by taking into account some specific proposals of the United Nations. As a result, the inter-grade differentials would be modified as shown in table 2.

Table 2. Inter-grade differentials, 1995-1996

(In percentages)

	1995 (current)	1996 (proposed)
INTER-GRADE DIFFERENTIALS AT THE UNDER-SECRETARY-GENERAL AND ASSISTANT SECRETARY-GENERAL LEVELS		
USG/ASG	9.0	9.0
ASG/D-2	19.5	19.5
INTER-GRADE DIFFERENTIALS FOR GRADES REFLECTED IN MARGIN CALCULATIONS (i.e., GRADES P-1 TO D-2)		
D-2/D-1	11.5	13.7
D-1/P-5	11.7	15.7
P-5/P-4	18.4	19.2
P-4/P-3	19.1	19.1
P-3/P-2	20.6	20.1
P-2/P-1	26.3	23.0
Range maximum/minimum (D-2/VI:P-1/I)	2.93	3.02

222. Some concern was expressed that the resulting scale would not remove all imbalance in the scale vis-à-vis the United States federal civil service. The view was also expressed that desirable scale structures have to be determined in the light of the needs of the common system and that a carbon copy of the comparator was not the goal. Nevertheless it was observed that very substantial

progress had been made in solving the problem of imbalance. It was clear that, by comparison with the situation existing in 1993, the major difficulty at the top of the scale had been resolved, as illustrated in table 3.

Table 3. United Nations/United States net remuneration margin ratios by grade and year

Grade	1993 (reported)	1994 (reported)	1996 (projected)	1997 (projected)
P-1	159.8	134.4	134.6	136.8
P-2	132.7	126.4	128.0	129.9
P-3	119.6	120.11	122.7	124.5
P-4	111.7	112.2	110.8	112.4
P-5	106.5	111.3	110.9	112.7
D-1	102.8	98.4	114.3	116.7
D-2	100.1	99.5	110.5	113.1
P-1/D-2 gap	59.7	34.9	24.1	23.7

Decisions of the Commission

223. The Commission decided to report to the General Assembly on the following lines:

(a) That its proposals with regard to the base/floor salary scale and the restructuring of the scale were just one part of an overall package of measures to recommend to the General Assembly for implementation. The linkage of these measures to restoring net remuneration levels at a margin level of 115 by scaling forward post adjustment indices at all duty stations as of 1 July 1996 by 5.1 per cent and restoring overall competitiveness in the light of other potential comparators was discussed and is reflected in paragraphs 257 to 259 below;

(b) As far as the structure of the salary scale is concerned:

(i) Further to its report to the General Assembly at its forty-ninth session, it had completed its review of the salary scale structure for the Professional and higher categories in the light of the relevant provisions of General Assembly resolutions 43/226, 47/216 and 48/224;

(ii) The review had revealed that the current structure was not serving adequately the needs of the common system as it provided insufficient rewards for undertaking higher levels of duties and responsibilities as a consequence of structural weaknesses in the salary scale, including, *inter alia*, too low a ratio between the maximum and minimum salary levels;

(iii) The remuneration needs of the common system should be met by providing:

a. Inter-grade salary differentials sufficient to reflect appropriately the different levels of duties and responsibilities of posts at each grade as determined by application of the Master Standard for classification;

b. Adequate rewards on promotion throughout the grades so as to ensure retention of well-qualified and experienced staff;

c. Remuneration sufficient to attract recruits at all grades, bearing in mind the special need for the common system to remain a flexible employer prepared to facilitate universality in staffing at the early, middle or later career stages;

d. A structure that would facilitate and reinforce performance management;

(iv) The imbalance in the scale structure as reflected in margin measurements with the current comparator had been significantly reduced in all matters specific to the current comparison through the following measures:

a. Discontinuation of statistical methods (regression analysis and square-root weighting) at variance with the purposes of margin measurement;

b. Elimination of GS-7 grade equivalencies in margin comparisons;

c. The use of actual SES average salaries per SES level in place of the earlier use of a single SES average salary in comparisons;

(v) The remaining imbalance in the scale structure reflected the compression of the salary range between the maximum (D-2 top step) salary *vis-à-vis* the minimum (P-1 step I). This compression was the result of a lack of fit between the remuneration philosophy of the common system and the relative rewards actually provided by the current scale for responsibility *vis-à-vis* seniority;

(vi) Inter-grade differentials should be adjusted and widened in the upper part of the scale to expand the overall salary scale range between P-1 and D-2 to address the imbalance in (v) above. The Under-Secretary-General/Assistant Secretary-General and Assistant Secretary-General/D-2 inter-grade differentials should be maintained at their current percentage levels;

(vii) The current number of grades and steps should be retained in a single scale for the Professional and higher categories;

(viii) The P-1 grade should be retained and its use encouraged by, *inter alia*, raising the entry level salary *vis-à-vis* the rest of the scale. The value of steps for seniority at that level should be trimmed;

(ix) The within-grade increment steps should continue to be granted with the current periodicity, but organizations should ensure that such steps are not granted to staff irrespective of performance;

(x) The net base/floor salary at the P-4/VI dependency level should be increased to $55,795 (equivalent to 3.089 per cent), with effect from

1 March 1996, in order to reflect the comparator's gross salary adjustment of 3.22 per cent of 1 January 1995;

(c) The salary scale provided in annex X has been arrived at on the basis of the above considerations and should be introduced as the new base/floor salary scale, without consolidation of post adjustment, effective 1 March 1996.

7. Supplementary payments and deductions

Introduction

224. Supplementary payments by the Governments of certain Member States to their nationals, either during or following employment in the international civil service (together with the obverse practice of deductions from salary), have been discussed periodically by ICSC practically since its inception. Following the last review of this matter by the Commission, in 1990, the General Assembly, in section IX of its resolution 45/241 of 21 December 1990, requested the Commission to study the practice of supplementary payments and deductions and to propose measures to resolve the problem. Subsequently, CCISUA, which saw the matter as an important component of the studies relating to the application of the Noblemaire principle, had requested ICSC to review the practice in that context.

225. ICSC considered updated information on the subject collected from two sources: (a) the organizations, concerning action taken to deter staff members from accepting supplementary payments; and (b) Member States, as to whether they were engaging in supplementary payments, deductions from salaries or associated practices. Information from organizations showed that eight organizations and programmes (the United Nations, the United Nations Development Programme (UNDP), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the International Trade Centre (ITC), the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP), the United Nations Industrial Development Organization (UNIDO) and the International Atomic Energy Agency (IAEA)) had issued specific written instructions to staff informing them that supplementary payments contravened staff regulations. Information on other action taken by organizations was also provided.

226. As in previous inquiries, information from Member States had been sought by means of letters from the ICSC Chairman to the States Members of the United Nations. At the time of adoption of the present report, replies from 72 Member States had been received.

Views of the organizations

227. The Chairman of CCAQ expressed appreciation for the updated information on the practice of supplementary payments, a practice that CCAQ continued to deplore. For CCAQ, the continuing existence of supplementary payments was yet one more indicator, even if not the most significant one, of the uncompetitiveness of common system pay levels. The organizations trusted that the Commission would make a strong statement to the General Assembly on a matter which, in earlier days, it had considered to be in flagrant contravention of the Charter of the United Nations. To that end CCAQ fully supported action to deter and monitor such practices, although it noted the practical difficulties of tracking post-service equalization payment arrangements.

228. The representative of the United Nations said that the Secretary-General had consistently taken a strong position of principle against the practice of supplementary payments. The United Nations was currently working on procedures for monitoring compliance with directives issued in that regard, which would include measures for disciplinary action against any staff members receiving such payments.

Views of the staff representatives

229. The representative of CCISUA said that although the Coordinating Committee had requested that this item be placed on the agenda in the context of ICSC's review of the application of the Noblemaire principle, it emanated from a General Assembly mandate in resolution 45/241. The Commission had not addressed the question since 1990. There were two aspects to the issue of supplementary payments. One was that supplementary payments were in violation of the organizations' staff regulations. The other was that they were necessary because common system remuneration was not competitive enough to attract the nationals of certain Member States. CCISUA had concentrated on the first aspect in 1990 and was now focusing on the second. CCISUA regretted that the rate of response had been, once again, so low; it would perhaps have helped had letters to Member States been sent out earlier. With regard to deductions from salaries, it appeared that there had been some improvement in the situation, although the problem did not seem to be completely solved. Addressing the statement in the letter dated 19 June 1995 from the United States (see annex XI) that "between 1989 and 1993, 878 federal employees were seconded to United Nations agencies or other international organizations" and that "during these five years, only 26 individuals qualified for the [equalization] allowance", CCISUA said that, for the information to be meaningful, it would be necessary to know how many federal civil service employees had left the common system organizations.

Discussion by the Commission

230. ICSC noted that supplementary/equalization payments, i.e., top-ups to the regular emoluments of staff, might take the form of: (a) more or less structured arrangements for making payments to staff either during employment in the international civil service or on return to national service; and (b) provision, on an ad hoc basis, of an element of expenditure, e.g., housing or assistance towards same. While isolated cases of ad hoc payments had been reported in the past, none had been in the current circumstances. It was noted that both of the legislated arrangements reported on the current occasion related to staff on secondment or detachment from the national/federal civil service of the countries concerned.

231. The Commission considered that the subject could be viewed from two distinct angles: (a) the impropriety of supplementary payments (and deductions) in terms of the provisions of both the Charter of the United Nations and similar founding documents and of the provisions of the staff regulations of all organizations; and (b) the question of whether the existence of supplementary payments and similar arrangements was an indication of inadequate salary levels.

232. ICSC noted that, of the Member States that to date had responded to the Chairman's request for information, only two had acknowledged the existence of such supplementary/equalization payments (see annex XI). One Member State which in the past had reported making such payments had in the current instance referred the matter to its capital for advice. Another Member State had announced the discontinuation of its earlier equalization payments practice (see

also annex XI). ICSC welcomed the latter announcement, which it hoped was a sign that its persistent efforts in the area were finally bearing fruit. At the same time, it was noted that one of the two arrangements currently in place had been introduced since the Commission's last review of the subject. Progress had therefore to be seen as relative.

233. It was clear that the incidence of supplementary payments was very small when measured against the total common system population although its precise extent could not be gauged, given the fragmentary nature of the information on hand. Members were uncertain that the Commission had the full facts available. The absence of disclosure applied also to the organizations that, while condemning the practice of supplementary payments in general terms, had not volunteered information as to whether they entered into agreements (such as reimbursable or non-reimbursable loans) with Member States or other entities that could yield emoluments packages over and above the norm. Such arrangements could have the same practical effect as supplementary/equalization payments.

234. Members noted that the gaps and ambiguities in the information provided made it difficult to draw decisive conclusions or to establish a firm correlation between supplementary arrangements and competitiveness. At issue was whether that information constituted supporting evidence of non-competitiveness, it being recognized that the case for a salary adjustment would not stand or fall on that basis alone.

235. The view was expressed that the original rationale for the long-standing practice of supplementary payments had been to compensate officials for leaving a culturally more amenable national environment, at the request of their Government, in order to fill certain high-level functions in the international organizations. That those payments had been made at a time when common system pay levels were generally considered competitive argued against any linkage with remuneration levels per se. Other members felt that while in principle there might be a linkage, the information to hand was too inconsequential to be considered evidence of non-competitiveness. That did not, however, mean that they condoned the practice of supplementary payments, nor, for some of those members, did it mean that they considered common system remuneration to be competitive.

236. Other members took the view that if Governments had felt compelled, for any reason, to provide supplementary emoluments in order to place the right person in a given job, that was evidence of an inadequate attraction capacity on the part of the common system. The continued existence of supplementary payments, no matter how limited, was thus indeed a contributory indicator of uncompetitiveness. It was noted in that regard that, of the Member States acknowledging the existence of supplementary/equalization payments on the current occasion, one was the current comparator and the other had been identified as a potential alternative comparator. That was seen as strong circumstantial evidence of a linkage between supplementary payments and lack of competitiveness.

237. The Commission next reviewed the question of the propriety of supplementary payments and deductions. It noted that the Charter of the United Nations specified in Article 100 that, in the performance of their duties, staff members should refrain from any action which might reflect on their position as international officials responsible only to the Organization. The staff regulations of all organizations contained a provision to the effect that no staff member should accept any honour, decoration, favour, gift or remuneration from any Government. The Commission recalled that it had in the past taken a

strong stand on that aspect of the matter, declaring supplementary payments and deductions to be "in flagrant contravention" of the above-cited provisions and to constitute "inequality of treatment". A rather different complexion had been put on the matter by the Member States concerned, which had, inter alia, expressed the view that their arrangements were consistent with the wording and the spirit of the Charter and the organizations' staff rules/regulations. The Commission unequivocally reaffirmed that supplementary payments were inappropriate, inconsistent with the provisions of the organizations' staff rules and at variance with the spirit of the Charter. The Commission considered that deductions from salaries were equally inappropriate. It urged all the parties concerned - Member States, organizations and staff members - to assume their responsibilities for putting an end to such inadmissible practices.

238. That said, the Commission noted that it had been dealing with the subject periodically for 20 years. Its exhortations had not been entirely without effect; in particular, the practice of deductions from salaries appeared to be on the wane. There appeared none the less to be room for a more vigorous commitment to the principle of freedom from outside influence that was at the heart of the international civil service.

239. The Commission considered that the organizations had an important role to play in the matter. It noted that, while some organizations had acted on the Commission's 1993 recommendation that they issue explicit instructions to staff members reminding them of the unacceptability of supplementary payments, others had not done so, for various reasons. It considered that organizations should give tangible expression to their stated concerns in that regard, by issuing periodic instructions and monitoring the situation. The Commission acknowledged the difficulties surrounding the issue, particularly in respect of post-service equalization payments. It saw that type of arrangement as intrinsically the same as supplementary payments during service, but obviously presenting greater difficulties in terms of establishing evidence. The Commission noted with interest the monitoring arrangements being established by the United Nations, which could serve as a model for others, and invited organizations to share information on any measures they were taking.

240. During the discussion, the view was expressed that in future considerations of the issue the Commission might wish to consider other approaches than that pursued to date, which had yielded mixed results at best. It was also suggested in that regard that the aspect of the influence Member States might bring to bear (by having staff members appointed at senior levels) as well as attempts by staff members to seek the influence of Governments on career-related matters, suggested a broader approach to the issue.

Decisions of the Commission

241. ICSC decided:

(a) To report to the General Assembly that:

(i) Seventy-two Member States had responded to the Chairman's request for information on supplementary/equalization payments, reimbursable/non-reimbursable loans and associated practices, as well as deductions from salaries;

(ii) Although there was a strong presumption that supplementary payments were indicative of uncompetitive remuneration levels in the common system, the information received was too fragmentary to draw any definitive conclusions;

(b) To reiterate its earlier position that supplementary payments were inappropriate, inconsistent with the provisions of the staff regulations and at variance with the spirit of the Charter of the United Nations. Deductions from salaries were equally inappropriate;

(c) To request all organizations to issue or reissue, as appropriate, instructions to staff regarding the unacceptability of supplementary payments and to monitor the situation and report thereon to the Commission as they deemed necessary;

(d) To request its secretariat to continue to collect the necessary data from Member States and organizations with a view to complementing the report to be made on the matter to the General Assembly.

8. Summary and conclusions

242. Recommendations to the General Assembly concerning the following component issues have been reported above:

(a) General considerations regarding the Noblemaire principle (paras. 61-89);

(b) Net remuneration margin between the United Nations and the United States federal civil service, including grade equivalencies (paras. 90-121);

(c) Identification of the highest-paid national civil service (paras. 122-172);

(d) Reference data on OECD and the World Bank (paras. 173-197);

(e) Structure of the salary scale (paras. 198-223);

(f) Supplementary payments (paras. 224-241).

The purpose of the present section is to draw together the remaining elements, including the related financial implications, and to complete the recommendations for submission to the Assembly.

243. The attention of the Commission was drawn by its secretariat to the possibility of making two separate recommendations to the General Assembly with regard to remuneration of the Professional category and above. In the case of the operation of the margin within the established range of 110-220 vis-à-vis the current comparator, operational considerations called for action to bring the level of remuneration back into range. This would be consistent with the arrangements outlined in the 1989 annual report for situations when the margin fell below the lower limit of the margin range. The matter would appear to require the attention of the General Assembly in 1995. Given the designation of 115 as the desirable mid-point, it seemed appropriate that any increase should be sufficient to restore this level, particularly as the margin was currently below 110 and had been below the mid-point since the end of 1992.

244. As regards the second case, the recognition that the German national civil service total compensation comparison with the United States showed it to be

remunerated at a higher level than the current comparator appeared to mean that a separate recommendation could be made. This would be on the basis of competitiveness needs and would be independent of the requirements of margin management vis-à-vis the current comparator.

245. It was also brought to the attention of the Commission that a number of logistical matters required careful consideration and alignment. Both the current margin situation and the identification of a national civil service paying more than the comparator would appear to point to increases in remuneration. The remaining questions related to how much, and how, such increases should be delivered, and when.

246. It was recalled that it had been pointed out at the spring 1995 session that a switch from the United States to a better-paying civil service could not be presumed to be automatic. In practice logistical arrangements and a certain hesitancy in accepting change were expected to result in delays in effecting a switch. Nevertheless, it was suggested that it might well be deemed prudent to acknowledge what the approved methodology had demonstrated - that the German civil service was higher-paid than the current comparator but that United Nations margin comparisons should continue to be monitored and managed vis-à-vis the United States as a transitional measure for five years.

247. While the question of how much might be recommended under margin management considerations was relatively clear (a return to a 115 mid-point) the technical determination of how much might be recommended on competitiveness grounds required measurement of the gap between current common system remuneration levels and those of the best-paid national civil service, plus a margin for expatriation, short careers and limited promotion prospects. It was assumed that a margin 15 per cent above German total compensation levels would suffice as long as base salaries were correctly set. On the basis of available information this would have given a revised margin range vis-à-vis the United States of 120 to 130. It was suggested by the secretariat that the Commission might wish to consider improving competitiveness by recommending that the margin range (110-120) be expanded to reflect the margin by which German civil service total compensation levels exceeded those of the United States federal civil service.

248. Specific proposals were also before the Commission as to how it might choose to attain a margin of 115 in 1996. These consisted of two elements. The first element consisted of application of the new base/floor salary scale effective in March 1996, as recommended in paragraph 223 (c) above. The second element consisted of a world-wide adjustment to the post adjustment element of net remuneration as of 1 July 1996.

249. The combined effect of such proposals could be expected to bring the United Nations/United States net remuneration margin to around the mid-point of 115 for the year 1996 by application of net remuneration increases which would approximate between 9 and 10 per cent on a weighted average basis. (The actual amounts would differ by grade, as the recommended salary scale provided for different levels of increases at each grade in order to restructure the salary scale to improve the inter-grade relativities.)

Views of the organizations

250. CCAQ reasserted the following five points of ACC's strategy to restore the competitiveness of the United Nations common system remuneration:

(a) An increase in remuneration levels, with immediate effect, in order to bring the current margin to around the mid-point of the range;

(b) An upward adjustment of the margin range itself in order to begin to close the gap between United Nations remuneration and a range of national and international, public and private comparators;

(c) An overall adjustment in remuneration resulting from both these measures which would serve to launch the strategy towards a return to competitiveness;

(d) Restructuring the salary scale in order, inter alia, to correct the serious imbalances at its upper levels;

(e) The development of a longer-term strategy which was consonant with the spirit of the Noblemaire principle to ensure over time the competitiveness and stability of common system remuneration and which, in the long run, would replace the traditional pay-setting approach of ICSC by a process which motivated staff, rewarded quality and better reflected the dynamics of organizational change.

Views of the staff representatives

251. No views were expressed on this subject as staff representatives had withdrawn from participation in the Commission at the time this subject was discussed.

Discussion by the Commission

252. Following its consideration of the various aspects of the Noblemaire principle and its application, the Commission focused its attention on: (a) the basis for recommending changes in net remuneration levels; (b) the relevant amounts to be recommended; (c) the means or instruments to be used for this; (d) the timing of such increases; (e) the resulting salary levels; and (f) the consequential financial implications.

253. While there was unanimity as to the need to raise net remuneration levels to bring them back within the existing margin range of 110 to 120 vis-à-vis the current comparator, there were diverse views as to the need for any other action to meet competitiveness requirements. It was pointed out that the reference studies undertaken with OECD and the World Bank, coupled with the results of the exercise to identify the highest-paid national civil service, constituted a clear demonstration of the uncompetitiveness of common system remuneration levels. The reference studies showed that the World Bank and OECD were paying 40 to 50 per cent more than the common system while the current comparator was 10 per cent behind another national civil service. The current comparator by its admission was uncompetitive in its own labour market as it paid some 30 per cent below the market average and had little hope of improvement as a result of the current status of FEPCA implementation. Consequently, several members concluded that specific action was required to enhance the competitiveness of the common system by taking steps over and above those contemplated with respect to bringing net remuneration back within the existing 110-120 margin range.

254. Some members, however, contested the above interpretation of the facts. Those arguing for retention of the existing margin range repeated views expressed earlier in respect of consideration of the reference studies and the

best-paid studies. They re-emphasized that the World Bank and OECD were relatively small employers which did not constitute a serious threat to common system competitiveness. OECD employment was restricted to the nationals of 25 countries while the World Bank's staff was almost exclusively posted in Washington. Further, the Bank undertook functions of a different nature from those of the common system and also had a somewhat different funding mechanism. As regards the German civil service, the same members observed that the best-paid study had not demonstrated superior salary levels for the German civil service vis-à-vis the United States federal civil service. The Commission had agreed not to recommend it for designation as a comparator. The study showed that United States federal civil service net salary exceeded that of Germany by 14 per cent when cost of living was taken into account. The only reason the total compensation study appeared to show Germany ahead of the United States was because it had superior health and pension benefits. They felt that the Commission's earlier conclusion that there was no evidence of widespread or acute recruitment and retention problems was significant in determining competitiveness. Further, those members noted that factors other than compensation affected employment decisions. These considerations included such intangibles as the prestige of the employer, opportunity to work abroad, opportunity to influence world affairs, etc. The members argued that bringing common system net remuneration back into the 110-120 margin range would be sufficient to restore common system competitiveness. Further, the recommended restructuring of the salary scales meant that substantial increases would be provided to upper and senior level staff, thereby restoring competitiveness at those levels.

255. Others pointed out that bringing common system remuneration back into range would not in and of itself ensure competitiveness. It was only a remedial action which would re-establish a relationship between the system and a comparator which was itself uncompetitive. This interpretation was challenged by one member who explained that the fact that the margin was now at 105.7 was the result of specific acts of the Commission taken during the last two years so as to "position" the margin to enable action to be taken to restore competitiveness. In particular the addition of some special pay systems and the reduction of dominance in the treatment of the pay rates for those systems in margin calculations, the inclusion of bonuses, performance awards, the exclusion of GS-7 matches, the elimination of statistical methods (regression and square root weighting) at variance with the purposes of margin measurement and the revision of SES pay averaging in margin calculations were all designed to lower the margin. Under the circumstances it was inappropriate to characterize the Commission proposal to bring the margin back into range as merely remedial.

256. It was pointed out, however, that the recent actions of the Commission had all been taken on their own merits and were not directed at reaching a particular margin result. In particular, it was noted that most of the actions had been arrived at by restoring the measurement situation to where it had been before 1990. Before that time, bonuses, performance awards and SES pay averaging had been reflected in the manner that the Commission had now agreed to reinstate. GS-7 matches had been added in 1990 despite technical objections at the time. The current changes were thus a correction of past actions. The inclusion of the 11 agencies' pay systems in the current grade equivalency exercise was necessitated by the fact that the splintering of the federal civil service pay arrangements had led to their loss from earlier United Nations/United States comparisons as the agencies migrated away from the United States General Schedule pay levels. Their inclusion at this time restored the same agencies to the comparison process which had always been included in margin

calculations. Under these circumstances it would seem that the proposal to bring the margin back into range might reasonably be characterized as remedial.

257. As regards the reference studies, the United Nations pointed out that it had produced two papers on the subject for the Commission. It believed that it had conclusively demonstrated that the World Bank was a significant competitor for the same types of occupations as the common system required. The activities of the World Bank as a development institution heavily overlapped with the core functions of most organizations of the common system. The relative size of OECD and the World Bank did not make them any less significant as reference points. In the latter capacity they were indicators of the overall level of the labour market. The World Bank was a particularly good indicator from a technical point of view as it set its salaries on the basis of surveys which were specifically designed to identify the 75th percentile of the labour market. To be unable to meet World Bank pay levels meant that the entire upper quartile of the labour market was unavailable to the common system.

258. As regards the total compensation study with Germany, the United Nations referred to the detailed analysis CCISUA had produced on the subject. In the view of the United Nations it was not correct that German salaries were below those of the United States. It was misleading for some to compare net salaries of United States civil service salaries, which were subject to substantial health and pension contributions, with German salaries, which were not subject to such deductions (see annex VII, table B). In any event the comparison was inconsistent with the methodology specifically established by the Commission for making such comparisons. Some members noted the conclusion drawn in paragraph 172 (b) (iii) above regarding the total compensation comparison with the German civil service.

259. A number of members expressed firm views as to the need to take additional measures to restore competitiveness over and above the restoration of the 115 margin. All objective indicators pointed to the fact that the common system was at least 20 per cent to 25 per cent behind where it should be. A renaissance was required in the quality of the workforce and steps should be taken to move in that direction once the margin was restored to 115. Several members proposed that, bearing in mind the difficulties of Member States, the margin should be moved to 120-130 over a five-year period starting in 1997. In their view this was necessary because there were real recruitment and retention problems despite the attempts of some to portray them as limited in scope to particular nationalities and certain occupations. The few brilliant young people who did join the system entered at junior levels where the margin was relatively attractive but often left disillusioned after a few years to do similar work for better-paying bilateral agencies. Prestige and a sense of vocation were no longer sufficient for building a competent, dedicated and stable workforce. It was not reasonable to expect the common system to be dependent on volunteers. Restricting common system competitiveness to the bottom quartile of the labour market was not a sound policy. Indeed, it was noted that the current comparator itself had recognized its own lack of competitiveness. Maintenance of current remuneration policies would limit international organizations to staffing by nationals from very poor countries with no options, plus developed country nationals with supplementary payments plus retention of those held by "golden handcuffs" who would wish to leave but could not owing to the structure of pension provisions. It was suggested that the time had come to redress 20 years of remuneration policies which had been designed to discourage the capable and retain the mediocre. A number of members expressed support for this expression of views.

260. As it became apparent that two schools of thought existed as to the basis for recommending changes in remuneration levels, the position was summarized as follows. Some members expressed their conviction that increases in the margin and the restructuring of the scale would have the effect of increasing the current level of competitiveness of the United Nations common system. Several others, however, were of the view that this adjustment would need to be greater and that additional measures were required. In light of this it appeared that only some members would support measures for increasing remuneration above the 115 level of the margin.

261. The Commission then proceeded to consider how remuneration might be increased from its current level so that it might be restored to 115 in 1996. It was pointed out that the recommendation to restructure the base/floor salary scale would raise margin levels by 4.1 per cent on an annualized basis. If this were implemented as of 1 March 1996, the month normally used for a new base/floor salary scale, the 1996 margin would still be below 115 for the year as a whole. A second measure would also be necessary, and accordingly consideration was given to the possibility of augmenting post adjustment levels as of July 1996, the same month chosen the last time a real salary increase had been granted in the common system in 1990.

262. Some concern was, however, expressed that salary increases would be accorded to all duty stations even though it appeared to some that there were significant problems with the post adjustment system. These appeared to be such that the largest increases would go to the highest-paid duty stations although some of them did not appear to some members to be deserving of such increases. A query was raised as to whether a flat rate increase of the same absolute amount of United States dollars could be substituted for equal percentage increases, somewhat on the lines of arrangements followed by the General Assembly in 1990. It was indicated that such an arrangement gave only the illusion of equal absolute increases as the next adjustment of post adjustment at each duty station restored the underlying relativities, thereby negating the intended effect of a flat rate increase. More important, however, was the question of principle. Differentiating between duty stations by any means other than the post adjustment indices might well be considered to be arbitrary and open to legal challenge as discriminatory. On these grounds it was considered that the salary increase should not be used as an opportunity to differentiate between duty stations other than that indicated by post adjustment indices. However, it was noted that a number of concerns had been raised in the July Working Group on post adjustment. In this regard it was felt to be important that the Commission confirm its commitment to a full and thorough review of the post adjustment system on the lines set out in the mandate granted to the relevant working group by the Commission at its forty-first session.

263. In further pursuing the matter of providing net remuneration increases through a scaling-forward of the post adjustment index (PAI) at all duty stations, it was explained that not all duty stations would receive identical increases as a result of such an operation. The secretariat provided indicative examples to demonstrate that at duty stations with post adjustment indices below the pay index (multiplier plus 100) increases would be less than the standard percentage and vice versa. Particular examples were provided with regard to Geneva and Montreal, which were anticipated to have indices below and above the pay index respectively. Examples of the scaling-forward of the PAI are provided in annex XII.

264. Clarification was sought as to why a pay increase might be provided by scaling forward post adjustment indices rather than by a second increase in the

base/floor salary scale. It was explained that any increase in the base/floor scale beyond the level to be recommended for 1 March 1996 (an increase of 3.089 per cent) would result in a concomitant increase in the level of hazard pay, mobility and hardship allowances and separation payments. As concern had already been expressed in some quarters about the level of hardship and mobility payments which were scheduled to be reviewed in 1996, it was felt advisable that no additional increase should be precipitated in 1996 beyond that already recommended and scheduled for 1 March 1996. Additionally, the linkage between the P-4/VI matching point of the common system scale with the GS-13 and GS-14 levels of the comparator would have to be broken if an increase in the base/floor scale were to exceed 3.089 per cent in 1996. It was also noted that the use of a scaling-forward arrangement would have the advantage of facilitating implementation of the results of the 1995 round of place-to-place surveys at headquarters.

265. Members then sought to determine the appropriate level of scaling-forward of post adjustment indices which might be applied in 1996. The secretariat informed the Commission that application of a 5.1 per cent scale-forward adjustment in July 1996 was estimated, in combination with a 1 March 1996 base/floor salary scale increase, to result in an estimated margin of 115.0 for the year 1996. This would result in weighted average salary levels increasing by approximately 9.2 per cent. The margin for 1997 was also tentatively projected at 116.8 as a result of the application of the 1996 measures under review.

266. Some members inquired as to whether the scaling-forward operation might be scheduled for March 1996 so as to align it with the application of the new base/floor salary scale. It was indicated that this would not be advisable as it would add to the financial implications and would also lead to a margin for 1996 which was higher than 115. Members agreed to recommend that the General Assembly be advised that the post adjustment system could be used to adjust margin levels in 1996 and that, subject to the Assembly's approval, the Commission would intend to apply a scaling-forward of all post adjustment indices of 5.1 per cent with effect from 1 July 1996.

Financial implications

267. The system-wide financial implications of the Commission's recommendations concerning the application of the base/floor salary scale shown in annex X and the adjustment of the net remuneration through the post adjustment system (see para. 268 (b) (ii) below) are estimated as follows:

	Thousands of dollars per annum
(a) For base/floor salary scale:	
(i) Remuneration increase	73 800
(ii) Mobility and hardship allowance	1 881
(iii) Countries with multiplier less than 3.0	33
(iv) Separation payments scale	402
(v) Hazard pay	211
Total	76 327
(b) Post adjustment scale forward by 5.1 per cent	81 100

Consequently the total financial implications of the recommendations leading to the restoration of the United Nations/United States net remuneration margin at the desirable mid-point of 115 in 1996, along with those relating to the mobility/hardship allowance, separation payments, etc., are estimated at $157.4 million per annum. As the base/floor salary scale and the increase of 5.1 per cent through the post adjustment system are recommended for implementation effective 1 March and 1 July 1996, respectively, the estimated financial implications for 1996 would be $103.6 million.

Decisions of the Commission

268. The Commission agreed to make the following recommendations to the General Assembly:

(a) The desirable mid-point of 115 for the United Nations/United States net remuneration should be restored in 1996;

(b) The net remuneration increase required to restore the mid-point should be attained by:

(i) Application of the base/floor salary scale shown in annex X without consolidation of post adjustment with effect from 1 March 1996;

(ii) A scaling-forward of all post adjustment indices as of 1 July 1996 by 5.1 per cent;

(c) The results of the study to identify the best-paid national civil service and of the reference studies with regard to other international organizations should be reviewed by the General Assembly to determine which of the diverse views expressed in the Commission with regard to the need for further improvements in competitiveness, such as use of an expanded margin range, might reasonably be supported.

B. Post adjustment matters

1. Reports on the eighteenth (1994) and nineteenth (1995) sessions of the Advisory Committee on Post Adjustment Questions: report of the Working Group on the operation of the post adjustment system

269. As part of its ongoing responsibilities under article 11 of its statute, the Commission continued to keep under review the operation of the post adjustment system. In its twentieth annual report, the Commission had informed the General Assembly of its decision regarding the establishment of a working group of the ICSC secretariat and the representatives of the organizations and staff (hereinunder referred to as the Working Group (Secretariat)) to address specific issues pertaining to the post adjustment system.

270. At its spring 1995 session, the Commission considered concurrently the reports of the 1994 and 1995 sessions of its Advisory Committee on Post Adjustment Questions (ACPAQ) as well as the report of the Working Group (Secretariat) on the operation of the post adjustment system, as those reports dealt with a number of common issues. 10/ Based on its consideration of those reports, it decided to report the following issues to the General Assembly: (a) treatment of pension contribution in place-to-place comparisons and time-to-time adjustments, (b) treatment of group I duty stations in case of

abrupt local currency devaluation; and (c) operation of the post adjustment system. The issue of the methodology to implement General Assembly resolution 48/224, section II.G, which was considered also at the forty-second session, is treated in paragraphs 298 to 319 below.

(a) Treatment of pension contribution in place-to-place and time-to-time adjustments

271. It will be recalled that, when the elimination of regressivity from post adjustment had been proposed at the time of the 1989 comprehensive review, it had been generally accepted that regressivity owing to taxation should be removed, since it had been eliminated by the comparator by indexing income brackets for tax purposes. Nevertheless, some concern had been expressed regarding the elimination of regressivity in respect of pension contribution. It had been argued that pension contribution should be considered as representing an investment and that any increase in the (one-third) share of staff members in pension contribution should be borne by staff and not transferred to Member States through increases in post adjustment. Accordingly, in its 1989 annual report to the General Assembly, the Commission had recommended that "pension contributions should be treated as a separate item in the PAI so as to ensure there would be no shift from staff to organizations in the share of expenditures relating to pension contributions". 11/ The Commission's recommendation had been approved by the General Assembly in resolution 44/198, section I.D, paragraph 3.

272. The requirement that there should be no shift from staff to organizations in the share of expenditures on pension contributions had been fulfilled by artificially freezing the index for pension contribution at a constant value of 100 for the time-to-time updating of the PAI, despite periodic increases in the level of mandatory staff contributions to the Pension Fund. Hence, although the cost of contributions had increased, the pension contribution index had failed to reflect these increases. Later, however, it had become apparent that, while the Commission's recommendations of 1989 regarding the amount of post adjustment per index point had eliminated, *inter alia*, the regressivity owing to pension contribution, the revised procedure for time-to-time adjustments of the PAI had reintroduced part of that regressivity through the index itself, thereby adversely affecting real income of staff. At its July/August 1993 session, the Commission had requested ACPAQ to give further consideration to the question.

273. Having examined a number of assumptions, ACPAQ had concluded that exclusion of pension contribution from time-to-time adjustments had resulted in systematic and cumulative place-to-place distortions, because the place-to-place mechanism was dependent on time-to-time adjustments for surveys conducted at different dates than at the base. Consistency between the place-to-place and time-to-time treatment of pension contributions was a technical necessity in a coherent post adjustment system and would require inclusion of pension contribution in both place-to-place comparisons and time-to-time adjustments. The use of actual pension contributions in time-to-time adjustments was therefore technically consistent with arrangements for place-to-place comparisons that included pension contributions as part of the mechanism for establishing purchasing-power parities.

274. ACPAQ had also given careful attention to the need to ensure that the requirements of General Assembly resolution 44/198 were met. The question of burden sharing and shifting had been considered in the light of two different types of changes in staff members' contributions to the Pension Fund. They were noted to consist of, first, the routine adjustments attributable to the regular

(normally annual) increases in the pensionable remuneration scale and, secondly, the exceptional long-term structural changes that had been made some years previously to increase staff contribution rates vis-à-vis pensionable remuneration levels. The latter structural increases, which had raised the staff contribution rates in a phased manner from 7 per cent of pensionable remuneration to 7.9 per cent, had been matched by increases in organizations' contributions from 14 per cent to 15.8 per cent. They were part of a much broader package of measures, including benefit reductions, which had been agreed upon in the United Nations Joint Staff Pension Board. The Board had been concerned that the burdens imposed as a result of trying to close an actuarial deficit of the Pension Fund should be shared between staff and Member States. Consequently, there had been a concern in the General Assembly that the result of the increase in the staff's contribution from 7 per cent to 7.9 per cent should not be shifted back to Member States via the post adjustment system. That had been behind the original General Assembly request regarding burden sharing. Any structural changes to increase contribution rates above 7.9 per cent would require revisions to the Pension Fund regulations, which were subject to adoption by the Assembly. Should such structural changes be envisaged in the future, the question of burden sharing and shifting in the post adjustment system would be considered. In the meantime, the routine inflation-related adjustments of Pension Fund contributions (to maintain pensionable remuneration levels in line with movements of net remuneration at the base) should not be confused with the concern that had earlier existed concerning structural changes.

Views of the organizations

275. CCAQ welcomed the thorough analysis made by ACPAQ of the manner in which purchasing-power parity could be preserved in both place-to-place and time-to-time adjustments while ensuring that there was no shift of burden in the treatment of pension contributions from staff to the organizations. It underlined the importance of consistency between place-to-place and time-to-time adjustments, which had formed the basis for ACPAQ's recommendations. CCAQ trusted that the further analysis by ACPAQ would dispel all remaining doubts about the matter. There could be no technical ground for not taking corrective action as soon as possible.

Views of the staff representative

276. The representative of CCISUA trusted that ICSC would rectify an anomaly in the operation of the post adjustment system that had arisen from a misunderstanding of the way the post adjustment system functioned. Under current arrangements, the pension contribution element in PAIs did not reflect cost-of-living movements. The amounts to compensate for cost-of-living adjustments were therefore being eaten into by increases in the pension contributions. As a result of that approach, while all staff were affected, greater losses were sustained by staff in countries with low post adjustment classifications. The need to prevent a shift of the burden from staff to organizations could be understood in the context of the increase of the pension contribution that had been required to cover the actuarial deficit. However, in freezing the pension contribution in PAIs, the burden had been shifted from the organizations to the staff. The CCISUA representative urged that action be taken to rectify an anomaly that had penalized staff.

Discussion by the Commission

277. Following a detailed review of ACPAQ's analysis of the matter, the Commission concluded that efforts to avoid shifting a financial burden from staff to Member States had inadvertently resulted in a systematic understatement of the PAIs for all duty stations and adversely affected the real income of staff. That adverse impact, although minimal, was not equitable. The Commission examined a number of examples of the effect of including and excluding pension contributions from time-to-time adjustments. The slight underestimation of the PAIs for all duty stations had occurred with the introduction in 1990 of the revised procedure for handling the pension component of the PAI. It was noted that the effect of endorsing ACPAQ's recommendation would be to increase post adjustment very slightly at all duty stations, with the increase being proportionately higher at locations with low PAIs and conversely less at high-cost-of-living duty stations. The Commission was satisfied that the inclusion of actual pension contributions in time-to-time adjustments would not have any impact other than that indicated by ACPAQ. In particular, there would be no shift from staff to Member States in the share of expenditures relating to pension contributions. On that assumption, the Commission had no difficulty approving the ACPAQ recommendation.

278. The Commission then turned its attention to the manner in which the new procedure it had approved should be implemented. ACPAQ had recommended that the procedure take effect from the next round of place-to-place surveys. It was observed, however, that the time frame for completing a round of surveys at all duty stations was considerable: thus, well over a year could elapse before the change would be effected at some locations. On the other hand, it was also recognized that the introduction of the revised procedure would require a one-time recalculation of the PAIs for about 200 duty stations - a time-consuming job. The Commission agreed that sufficient time must be allocated for its secretariat to carry out the index calculation exercise. It therefore concluded that it would be more equitable, and administratively more efficient, to effect the change at the time of the next adjustment of the New York post adjustment multiplier, which resulted in adjusting the scale of pensionable remuneration for the Professional and higher categories of staff. The adjustment of the New York post adjustment classification was expected to take effect on 1 November 1995.

279. The Commission noted that, as a result of a slight underestimation of the post adjustment indices, some savings had accrued to the Member States since 1990. It was estimated that the under-expenditure on post adjustment on the part of the Member States was approximately US$ 4 million for each year that the shortfall had been in place. As a result of the Commission's decision, that under-expenditure would cease as of 1 November 1995. The corrective action was estimated at some $17 million for the year 1995-1996. Thereafter, the related annual amount would be $3.6 million.

Decisions of the Commission

280. The Commission:

(a) Decided that, with effect from the next adjustment of the global scale of pensionable remuneration for staff in the Professional and higher categories, actual pension contributions in time-to-time adjustments of the post adjustment index should be used;

(b) Noted that that approach would be technically consistent with the arrangement for place-to-place comparisons, which included pension contributions as part of the mechanism for establishing purchasing-power parities;

(c) Decided to inform the General Assembly that it had carefully examined the requirements of General Assembly resolution 44/198 and had determined that, in the light of the arrangements embodied in the Pension Fund regulations, there would be no shift in the burden of Pension Fund contributions from staff to Member States as a result of implementing the decision in subparagraph (a) above.

(b) Treatment of group I duty stations in case of abrupt local currency devaluation

281. It should be recalled that at the time of the 1989 comprehensive review of conditions of service of the Professional and higher categories it had been assumed that group I duty stations would not be subject to significant devaluations in view of the then existing European monetary system. In addition to the removal of regressivity from post adjustment and the introduction of a procedure limiting variations to ± 0.5 per cent of local-currency take-home pay, a 10 per cent out-of-area band had been established for those duty stations. It had been envisaged that those measures would together provide stability in take-home pay in local currency at group I duty stations. Subsequently, two additional stabilization measures had been introduced: the nine-month averaging of the out-of-area index and the exclusion of that index from monthly updating of group I PAI calculations (other than for the annual or 5 per cent cost-of-living adjustments).

282. The establishment of a 10 per cent band for out-of-area expenditures for group I duty stations had resulted in a situation where, at some duty stations, e.g., Montreal and Rome, full recognition of out-of-area expenditures was not reflected in the PAI and they were thus not fully protected against currency fluctuations. Later studies had indicated that, because of the other stabilization measures referred to above, the elimination of the 10 per cent band would make no discernible difference to the stability of local-currency take-home pay.

283. The Working Group (Secretariat) established by the Commission to address specific aspects of the post adjustment system studied the above issue and provided its views to ACPAQ. Following a detailed examination of the matter, ACPAQ proposed two options that would involve removal of the 10 per cent out-of-area expenditures band used in PAI calculations at group I duty stations. The options were:

(a) Use of actual duty-station-specific out-of-area weights in the PAIs for all group I duty stations rather than the current 10 per cent band system;

(b) Use of the duty-station-specific out-of-area weights in the PAIs for group I duty stations only in the event of an abrupt and substantial devaluation at the duty station concerned, i.e., whenever exchange rate changes resulted in a reduction of 10 or more multiplier points.

While noting that the difference between the two options was more of a policy than a technical matter, ACPAQ had indicated a slight technical preference for option (a), since option (b) would still constrain the purchasing-power parity at duty stations where the 10 per cent bands were retained.

Views of the organizations

284. The Chairman of CCAQ recalled that, as part of the 1989 comprehensive review, the Commission had considered a recommendation that out-of-area expenditure for group I duty stations be set at zero. It had, however, decided to set the out-of-area band for those duty stations at 10 per cent. CCAQ's preference would still be to set out-of-area weights for group I duty stations at zero. None the less, CCAQ could support a formula whereby the current 10 per cent band would be maintained at group I duty stations, except in the event of either abrupt and substantial devaluations or gradual and substantial devaluations, the latter being a phenomenon of the shifting global economy.

285. CCAQ stressed the need to revisit the grouping of all duty stations in the light of recent currency upheavals, which had confounded traditional economic assumptions. To address those problems, CCAQ formally proposed that ICSC reconvene the Working Group (Secretariat) with particular priority to be given to: the grouping of duty stations into two (or more) groups or currency areas for post adjustment purposes; other aspects of out-of-area expenditures; and the increasing complexity of operating the post adjustment system in the current economic climate.

286. The representative of FAO noted that there was a bias in the system in favour of hard-currency duty stations and pointed to the inability of the system to cope with rapid devaluation of currencies against the United States dollar and its failure to reflect the impact on out-of-area expenditures adequately. FAO proposed a review of the basis and objectives of the current system, including the definition of such basic concepts as purchasing-power parity and its relevance under varying economic conditions and currencies.

287. The representative of ICAO stated that the current system of determining the out-of-area expenditure component for headquarters duty stations with low post adjustments ignored the real nature of out-of-area expenditures and led to serious distortions in purchasing power when the United States dollar declined. The current procedure had led to a situation where net remuneration at Montreal at the P-4 level and above was 8 to 15 per cent lower than that of the United States federal civil service at Washington at equivalent grade levels. He proposed alternative approaches to overcome the difficulties encountered under the present system, i.e., using fixed amounts based on New York salaries, or a currency basket, or using individualized out-of-area indices. As a stopgap, Montreal should temporarily be treated as a group II duty station.

Views of the staff representatives

288. The representative of CCISUA indicated that it was necessary to conduct an in-depth examination of the post adjustment system. There were problems with the post adjustment system in Montreal, Rome, New York and London. In Montreal and Rome, those problems had to do with currency devaluations. In New York and London, they had to do with the measurement of the housing component of PAIs. She said that the concept of disposable income addressed by FAO was an important one. It had been considered by ACPAQ years ago and should be considered again. The situation in Montreal was a clear example of the effect of gradual but insidious currency devaluations, as opposed to abrupt devaluations. CCISUA supported the proposal that something be done immediately to remedy the Montreal situation. CCISUA could not, however, support the proposal to have out-of-area indices individualized by nationality.

Discussion by the Commission

289. The Commission noted that the issues raised under the item had several dimensions. First, there were the specific options proposed by ACPAQ for the treatment of out-of-area expenditures at group I duty stations. At a second level were broader, and increasing, problems of the functioning of the post adjustment system. Yet a third level of issues concerned structural problems of the world economic situation. While noting that there were common threads linking the three levels, the Commission considered that they needed to be dealt with in a phased manner; otherwise the system would become mired in studies of structural economic problems, for which no apparent solution existed. The Commission was particularly anxious to keep its priorities fixed on the application of the Noblemaire principle with a view to ensuring the competitiveness of Professional remuneration. While acknowledging the close relationship between base pay and post adjustment, the Commission was of the view that the problems of each had to be addressed on their own terms. One member, however, insisted that the post adjustment system had to be reviewed in 1995 without delay, before the General Assembly was seized of recommendations concerning the application of the Noblemaire principle.

290. Against that backdrop, the Commission turned to the two options put forward by ACPAQ for the treatment of out-of-area expenditures at group I duty stations. It noted that ACPAQ had a slight preference for the first option, which would promote purchasing-power parity. The stability tests undertaken by ACPAQ showed that the 10 per cent band was not required for maintaining stability in take-home pay, since other measures existed in that regard. In the Commission's view, the second option was akin to the special measures that it had not wished to continue; indeed it had specifically mandated the Working Group (Secretariat) to seek a long-term universal solution that would remove the need for special measures. That option lacked transparency and raised issues of the procedures that would be used for introducing and discontinuing the exceptions. The situation would be further exacerbated if the variant proposed by CCAQ were accepted.

291. The Commission was open to the suggestion that matters relating to currency instability, out-of-area expenditure and other problems of the post adjustment system should be referred to a working group. It was not, however, optimistic that a working group could come up in the short term with a solution that would meet all needs. It was noted that the Working Group (Secretariat) had held two sessions without reaching a solution in that regard.

292. During the discussion, the Commission took note of what appeared to be a broad spectrum of organizations' views. The Commission weighed the various points raised by the organizations. While the Commission did not wish to penalize any duty station, it seemed quite clear, from the detailed work done by ACPAQ, that the 10 per cent out-of-area band was no longer required for maintaining stability in take-home pay in local currency terms, as other methods already achieved that objective. Removal of the bands would also improve the equalization of purchasing power. There were, therefore, strong technical grounds for the removal of the 10 per cent band.

293. The Commission noted that, as a result of the use of actual out-of-area weight for group I duty stations, post adjustment classifications would be increased for duty stations that had recently experienced devaluations of local currency. For duty stations with significant revaluations of local currencies, the obverse would occur. Thus, duty stations such as Montreal and Rome would benefit from the proposed change in the very near future while the PAIs for duty

stations such as Geneva, Tokyo and Vienna would be slightly lower from July 1995 than under the current system. All other things being equal, the impact on the post adjustment levels for the latter group of duty stations would not be felt before July 1996. As a result of those adjustments, savings amounting to approximately $10 million per year would subsequently accrue to Member States.

Decisions of the Commission

294. The Commission:

(a) Decided that actual out-of-area weights rather than the existing 10 per cent band system should be used in PAI calculations for all group I duty stations. That procedure should be introduced with effect from 1 November 1995. In the case of duty stations that had experienced significant devaluations of local currency in recent years (e.g., Montreal, Rome), the actual out-of-area percentages should be applied with effect from June 1995;

(b) Noting the increased level of dissatisfaction regarding the operation of the post adjustment system and that no lasting solution had yet been found to problems of currency fluctuations, decided that a working group composed of three members of the Commission, three representatives of the organizations and two representatives of each of the staff organizations should be established to review the situation (hereinunder referred to as the Working Group (ICSC members)). Its terms of reference may be found in annex XIII. The Working Group (ICSC members) met and submitted its preliminary conclusions to the Commission at its summer 1995 session. A further meeting is to take place in autumn 1995 and the Commission is committed to finding ways of improving both the maintenance and the functioning of the post adjustment system.

(c) Operation of the post adjustment system

Introduction

295. The Commission considered the recommendations of ACPAQ and the Working Group (Secretariat), which dealt with methodological issues, arrangements for the new round of place-to-place surveys and other operational aspects of the post adjustment system.

Decisions of the Commission

296. The Commission decided, inter alia, that external housing data from the Inter-organization Section of the Coordinated Organizations should be applied to the seven headquarters duty stations and Washington at the time of the forthcoming round of place-to-place surveys.

297. In addition, the Commission approved a number of detailed recommendations from the Working Group (Secretariat) with a view to improving the transparency of the post adjustment system and providing greater access for administration and staff representatives to primary data.

2. Methodology to implement General Assembly resolution 48/224, section II.G

298. In section II.G of its resolution 48/224, the General Assembly requested ICSC to ensure that place-to-place surveys conducted at all headquarters duty stations were fully representative of the cost of living of all staff working at

the duty station. That request stemmed from the Assembly's review of the Commission's nineteenth annual report 12/ on the issue of expatriate entitlements of staff living in the home country and stationed elsewhere, in which context it had been noted that the Geneva PAI was based on the collection of data for Geneva only, i.e., did not take into account the cost of living in contiguous areas of France, where many staff at the duty station resided.

299. In preparing for the next round of place-to-place surveys at headquarters duty stations, the Commission requested advice from ACPAQ on the above matter. ACPAQ noted that that particular post adjustment question had both policy and technical aspects which, in part, fell beyond its scope. At a conceptual level, however, equal purchasing power could be ensured by either (a) establishing two multipliers or PAIs, one for each side of the border, or (b) by continuing with a single multiplier but based on a survey of staff wherever they lived. Before operational progress could be made, the Commission would need to address as a policy matter whether one or two post adjustments would be required.

300. ACPAQ nevertheless provided technical guidelines on how to proceed with post adjustment surveys using a single post adjustment multiplier. That would require the use of a common definition of the statistical area of the duty station. The Staff Rules of the United Nations included in its definition adjacent areas of France, whereas the specialized agencies' definitions excluded areas outside Switzerland.

301. After reviewing the matter, the Commission decided that legal advice would be required in order to provide a sound basis for new statistical definitions to be used in post adjustment surveys. The ICSC secretariat enlisted services of a legal expert with several years of experience at a senior level with the United Nations Secretariat and also with the administrative tribunals of the United Nations and the ILO. The report of the legal consultant may be found in annex XIV. Comments made by ILO on that report are found in annex XV. The Commission's consideration of this matter took those documents into account.

Views of the organizations

302. The Chairman of CCAQ said that before any technical solution was sought it was important for the Commission to reflect and decide upon a number of major conceptual, political and legal issues surrounding the question of the equalization of purchasing power for staff serving at one duty station while residing in a sovereign State different from that of the duty station. CCAQ noted the technical difficulties raised by ACPAQ in that respect; it was also particularly concerned at the questionable information contained in the report of ACPAQ on its eighteenth session. ACPAQ's search for a statistical definition of a duty station went beyond the strictly technical: there was already difficulty in respect of the legal definition of a duty station that must also be taken into account.

303. With respect to the ICSC consultant's report, the Chairman of CCAQ stated that there would appear to be concern about a number of flaws. They were referred to in the note submitted by the Legal Adviser to ILO. With hindsight, it might have been wiser to insist that the United Nations Legal Counsel provide the necessary legal opinion on the matter; alternatively, a group of legal counsels from different organizations might have been invited to provide a corporate opinion. Furthermore, some of the suggestions contained in the report, e.g., the manner in which prices were collected at the base of the system, had implications that went far beyond the post adjustment for Geneva. Each element of the matter was so intricately linked with another that it seemed

impossible to isolate the technical from the legal or the political from the conceptual questions. The matter could become even more delicate to the extent that some organizations might decide that, for legal reasons, they would not be able to implement a measure adopted by the General Assembly and would have to so report to their governing bodies. The organizations wished to express serious concern in respect of any precipitous action by the Commission or the General Assembly leading to expensive and time-consuming litigation across the common system.

304. The representative of ILO urged ICSC to consider in a broader context a problem that had technical, legal and political ramifications. She contended that General Assembly resolution 48/224 had been based on misleading information in ICSC's 1993 annual report, namely that, since 1978, prices had not been collected in France for the Geneva post adjustment: in fact, prices had never been collected in France. The inclusion of staff living in France and working in Geneva had been a contentious issue when ICSC had conducted its first survey in Geneva in 1978 (prior to which surveys had been carried out by the United Nations and ILO). What ICSC had attempted to do at that time was to include Professionals living in France in order to determine weighting patterns. Legal experts in ILO had the most serious reservations about the feasibility of putting either of ACPAQ's recommendations into effect. Moreover, any change in the definition of "duty station" might have implications for other entitlements, as well as for General Service staff.

305. In response, it was pointed out by the ICSC secretariat that the 1978 exercise had been to collect housing costs data rather than prices. That difference was not material to the validity of the General Assembly resolution, which had been adopted on the basis of the information made available that Geneva post adjustment was based on a post adjustment index that did not take into account the cost of living in contiguous areas of France, where many staff at the duty station resided.

306. The option of a single post adjustment, taking into account the number of Professional staff living in France, would violate the principle of purchasing-power parity in respect of staff living in Switzerland. The option of establishing two separate post adjustment indices for Switzerland and France also posed difficulties inasmuch as France had not ratified the Convention on Privileges and Immunities with most of the specialized agencies in Geneva, although ratification was envisaged for 1996. Even when that problem was solved, a split post adjustment could only be applied to staff recruited after the change.

307. The ILO representative referred to an analysis of the consultant's report by the legal adviser of ILO which showed that the report had overlooked an essential consideration: the fact that a political border separated the places of residence of officials in Geneva. This fact could not be ignored in establishing the duty station for Professionals without important consequences, including, from a practical viewpoint, serious distortions between the treatment of Professional and General Service staff. These questions had to be examined much more thoroughly before any options could validly be recommended. Unless this was done, ILO would find it extremely difficult to make a positive recommendation to the Governing Body, which had to approve any new arrangements.

308. The representative of the United Nations stressed the importance of the issue for his Organization. In his opinion, the advice provided by ACPAQ was clear, specific and practical. While the debate could be extended indefinitely,

ICSC now had all the necessary elements to make a final recommendation to the General Assembly.

309. The representative of the ITU regretted the working methods chosen by the ICSC secretariat and its consultant in presenting the legal views requested by the Commission. He warned the Commission that some of the procedures put forward by the consultant would affect staff worldwide. The Legal Counsel of ITU also had serious reservations regarding the report of the consultant; an informal note outlining those concerns was circulated.

Views of the staff representatives

310. The representative of CCISUA emphasized that the matter was extremely sensitive and of great concern to staff. As ACPAQ had acknowledged, the issues went far beyond the technical, and into the political, realm. A change in the Geneva post adjustment on the basis of the number of staff living in France would put the majority of staff who still lived in Geneva at a disadvantage. There were also legal problems with the definition of a duty station.

311. CCISUA regretted that the ICSC consultant's report indicated that the Commission had already decided that conditions of service should differ for Professional staff at the Geneva duty station based on whether they lived in France or Geneva, the sole concern being the legal aspect of the problem. The only avenue open to staff, therefore, was to take the matter to the administrative tribunal, which they would surely do. CCISUA had ceased to be surprised by anything done by the Commission or its secretariat, which would employ any device to reduce staff salaries rather than increase them. In the current instance, using a General Assembly request as a shield, an attempt was being made to transform the Geneva duty station into two entities, one Swiss and the other French. Two staff members performing the same duties in the same office, but living in different entities, could thus receive different salaries. CCISUA considered that to be discriminatory, particularly at a time when ICSC was discussing the application of the Noblemaire principle and had concluded that Professional and higher category remuneration was approximately 30 per cent lower than that of the United States private sector and more than 40 per cent below that of organizations such as the World Bank and OECD. To crown it all, the sole corrective action considered by the Commission was to reduce further the remuneration of staff at one duty station, and that in the name of equity among staff.

Discussion by the Commission

312. At the outset members wished to make it clear that the Commission was not interested in reducing justified levels of salaries at any duty station. In addressing the General Assembly's request, it was endeavouring to ensure that all staff were treated equally on the basis of technical considerations.

313. The Commission noted that ACPAQ had correctly observed that the issue at hand went beyond the purely technical question of post adjustment measurement techniques. Moreover, the organizations had raised some important legal points. The Commission considered the issues raised in the ICSC consultant's report and ILO's comments thereon. In view of the somewhat divergent legal opinions it had been presented with, the Commission deemed that its decision should be guided by the principles of fairness and equity, not fear of potential legal recourse.

314. The Commission addressed ILO's view that the ICSC documents did not take into account the fact that in the case of Geneva, unlike New York, there was a

political frontier. The Commission wondered whether that fact was decisive inasmuch as some 40 per cent of the international staff assigned to Geneva-based organizations actually lived across the border in France. ILO had also argued that the responsibility of the Commission should be confined to classifying duty stations for the purpose of applying post adjustments and did not include redefining duty stations to rationalize methods of calculating post adjustments. In that connection it was pointed out that, to render operational the request made by the General Assembly, ICSC needed to determine the actual expenditures of staff members at any given duty station; that depended on where they actually made their purchases and not on the abstract definition of the duty station. In general, a view prevailed that ILO had not made a convincing case for maintaining the status quo. Some members considered that the ILO legal opinion was disappointing as it appeared designed to protect the current Geneva post adjustment.

315. The Commission examined the various options presented in the ICSC consultant's report and decided to focus its attention on the following two alternatives, which had also been suggested by ACPAQ:

(a) To establish a single PAI for Geneva based on the pricing surveys conducted where staff were actually living (i.e., in the city of Geneva, elsewhere in the Canton of Geneva or in the Canton of Vaud and in contiguous France), weighting those data as was done in respect of New York City or other headquarters duty stations;

(b) To establish two PAIs in respect of persons working in Geneva: (i) one for those residing in Geneva or elsewhere in Switzerland and (ii) another for those residing in France.

316. It was observed that there were advantages and disadvantages to both arrangements: to some extent, the advantage of one was the disadvantage of the other. As regards the use of a single post adjustment, it was noted that some staff, unable to take advantage of the lower cost of living in France because they could not reside there, might feel that they had been inequitably treated vis-à-vis those free to choose to live in either Switzerland or France. As regards the alternative of two post adjustments, there were the twin disadvantages of complexity and the perception of some that staff working at a single duty station would be remunerated on an unequal basis, which could be seen as breaching the principle of equal pay for work of equal value.

317. The Commission noted that, while ACPAQ had suggested the two approaches outlined above, it had indicated a slight preference for the first alternative and had in fact provided detailed modalities for its implementation. In view of that fact, some members were of the view that the first alternative, leading to the establishment of a single PAI based on prices collected in all areas where staff lived, should be implemented. Some members were of the view that the establishment of a single PAI would be unfair to staff living in Geneva; others however considered that the second alternative of establishing two separate PAIs would be tantamount to paying different salaries to two staff members working side by side and performing the same level of work.

318. As there was no clear preference within the Commission for either of the alternatives listed above, the Commission agreed that it would report its findings to the General Assembly with a view to seeking further guidance.

Decisions of the Commission

319. The Commission decided that technical adjustments could be made to the post adjustment survey process. They could entail the establishment of either a single post adjustment multiplier for the duty station or two separate multipliers depending upon where staff were residing. The Commission noted that a decision as to which of those two courses to pursue would depend on the objectives that the General Assembly had in mind when framing the relevant provisions of resolution 48/224. It decided to request the General Assembly's guidance as regards one of the two alternatives outlined in paragraph 315 above on the basis of the following conclusions it had reached, which were of relevance to the issue:

(a) The current legal framework provided disparate definitions of the area of the Geneva duty station; there would be a need to harmonize organizations' staff rules and regulations as regards the definition of the area of the duty station;

(b) In most Geneva-based organizations, the definition of duty station was included in their staff regulations, and any change would require action by their respective governing bodies;

(c) Any change in the present definition of the geographical area of the duty station for data collection before harmonization of organizations' staff rules and regulations could be vulnerable to legal challenge;

(d) There were other legal issues related to the question, since one of the Member States concerned had neither ratified the Convention on Privileges and Immunities of the Specialized Agencies nor signed headquarters agreements with the organizations based in Geneva;

(e) The post adjustment issue raised in General Assembly resolution 48/224 appeared to give rise to the same concern with regard to the area of the duty station as existed in connection with the question of expatriate entitlements, which had been addressed in General Assembly resolutions 48/224 and 49/214;

(f) In addition to the legal questions of the definition of the duty station area, other questions remained. They included whether a single post adjustment for Geneva, including contiguous areas of France, would be equitable for staff who were not free to reside in France and whether, in the case of two post adjustment indices, staff members' remuneration could be differentiated on the basis of their place of residence rather than their place of work.

C. Comparison of pensionable remuneration

320. Under its mandate from the General Assembly as set forth in section I of its resolution 41/208 of 11 December 1986, the Commission continued to monitor the pensionable remuneration of the United Nations common system staff in the Professional and higher categories and that of United States federal civil service employees in comparable grades. The procedure proposed to the Assembly in 1990 and approved in its resolution 45/242 of 21 December 1990 was used for calculating the consequent pensionable remuneration ratio for the period from 1 January to 31 December 1995. The Commission's decisions regarding the 1995 grade equivalencies between the United States federal civil service and the United Nations system (see paras. 90-107) and other aspects of the margin calculation methodology (see paras. 108-118) were taken into account in the

determination of the United Nations/United States pensionable remuneration ratio. The ratio was calculated as 104.1 with the New York/Washington cost-of-living differential and 120.3 without.

321. The income replacement ratios applicable over the three-year period from 1 January 1993 to 31 December 1995 were also calculated for both services. They were 54.9 for the common system and 55.6 for the comparator civil service, subject to further review (see para. 323 below).

Views of the organizations

322. The Chairman of CCAQ recalled that there had been a persistent difference between the United Nations and the United States income replacement ratios. In 1994, the ICSC secretariat had reported that two factors were affecting that relationship: (a) that the United Nations net-to-gross relationship reflected the taxation system of the seven headquarters duty stations, while only United States taxes were reflected on the United States side of the equation; and (b) that pensionable remuneration was determined by the application of staff assessment, on a progressive basis, to 46.25 per cent of United Nations common system salaries. CCAQ remained concerned at the distortion that was being created by the grossing-up procedures and considered that appropriate analyses should be prepared on that aspect of the pensionable remuneration methodology in good time for the 1996 comprehensive review of that methodology.

Discussion by the Commission

323. The Commission noted that its decisions regarding the latest United Nations/United States grade equivalency study, the margin calculation methodology and the removal of dominance had resulted in lowering the United Nations/United States pensionable remuneration ratio by approximately 3.7 per cent. The possible impact of those decisions on the income replacement ratio for the United States federal civil service employees would be studied further as part of the 1996 comprehensive review of pensionable remuneration and consequent pensions for the Professional and higher categories.

Decisions of the Commission

324. The Commission decided to report to the General Assembly that:

(a) The ratio of the pensionable remuneration of the United Nations staff at grades P-1 to D-2 and their counterparts in the United States federal civil service for 1995 was 104.1 and 120.3, with and without adjustment for the New York/Washington cost-of-living differential, respectively;

(b) The income replacement ratios were 54.9 and 55.6 for the common system and the comparator service, respectively.

Chapter IV

CONDITIONS OF SERVICE OF THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

A. Preliminary reviews of the methodologies for surveys of best prevailing conditions of employment at headquarters and non-headquarters duty stations

325. In its eighteenth (1992) annual report, the Commission reported to the General Assembly on its review of the general methodology for surveys of best prevailing conditions of employment at headquarters duty stations. 13/ In 1993, the Commission carried out a similar review of the non-headquarters methodology. 14/ At its summer 1994 session, it considered a FICSA proposal to review the methodologies for both headquarters and non-headquarters duty stations as well as a proposal by CCISUA in respect of the headquarters methodology. 15/

326. At its spring 1995 session, the Commission undertook a preliminary review of the current salary survey methodologies (i.e., as revised in 1992 and 1993), on the basis of the issues raised by FICSA and CCISUA and the comments of its secretariat thereon.

Views of the organizations

327. The representative of CCAQ noted that the methodology required sufficient flexibility in its application to enable it to address the various economic conditions specific to each duty station. Furthermore, while the methodology called for the partners to attain the highest level of consensus, it did not require them to reach unanimity on every subject. CCAQ considered that the partnership between the parties involved should be based on trust and acknowledged the responsibility of the executive heads and administrations in ensuring an effective partnership. The role of the ICSC secretariat included responsibility for the technical and logistical processes and for preparing the final survey results.

328. He stressed the importance of increased training in the survey methodology as a means of building confidence among all parties, as evidenced by the success of the training programmes on the non-headquarters methodology organized by UNDP. Such training could be based on the survey manual, to be finalized by the secretariat shortly.

329. He emphasized the need for consistency in the application of the survey methodology, both between surveys in the same location and between the different headquarters duty stations, without losing sight of the different conditions at those locations. The latter might lead to some elements being treated differently at some duty stations as a result of their specific requirements.

Views of the staff representatives

330. The President of CCISUA, noting that the Coordinating Committee would have wished to commence the discussion at the previous session of the Commission, expressed his appreciation for the important item being taken up at that time. The views of CCISUA had been expressed in the documents submitted. He stressed the importance of flexibility in the application of the survey methodology, so

as to allow different conditions at the various duty stations to be addressed appropriately.

331. Although the round of surveys would not be completed for another 18 months, the Commission had already identified a number of issues to be taken up in its review as a result of the findings of the surveys conducted thus far under the new methodology. In the light of those findings, he expressed the hope that the Commission would reconsider its position and implement the changes more quickly.

Discussion by the Commission

332. Noting that surveys conducted under the current methodology had been completed at only four of the seven headquarters duty stations, the Commission considered the impact of its current consideration of the methodology on the various duty stations. It recalled its earlier decision that a comprehensive review of the methodology should be considered after the experience at all seven headquarters duty stations was available. Its current consideration should thus identify and clarify issues, without jeopardizing the application of the methodology at the remaining duty stations in the current round of surveys. At the end of the current round, the Commission intended to take up outstanding issues identified in recent surveys, including those in Rome and New York, as well as those that would emerge in planned surveys.

333. The Commission noted that the main emphasis of the preliminary review was on the methodology for headquarters duty stations. It would be important to cross-reference the various issues to experiences at the non-headquarters duty stations, while keeping in mind the fact that those experiences, in many instances, had been based on smaller duty stations, with very different economic conditions. It was agreed that the forthcoming review would be conducted on an integrated basis for the headquarters and non-headquarters methodologies.

334. The Commission nevertheless undertook a discussion of a number of specific issues. It noted with appreciation that the consideration of the issue had taken place in an atmosphere of mutual cooperation and respect. It noted that its report on the consideration of the methodology would provide useful information for its comprehensive review of the salary survey methodology scheduled upon completion of the current survey round.

335. The Commission will provide a further report to the General Assembly following the completion of the comprehensive review in 1997.

B. Survey of best prevailing conditions of employment in New York

336. The Commission conducted surveys of best prevailing conditions of employment for staff in the General Service, Language Teachers, Public Information Assistants, Trades and Crafts and Security Service categories in New York. The reference date for the collection of data on salaries and other conditions of employment from the selected employers was 1 January 1995.

337. The surveys resulted in a 1.13 per cent increase for the General Service and Public Information Assistant categories and a 0.15 per cent increase for Language Teachers. With regard to the Trades and Crafts category, the 2.45 per cent interim adjustment due on 1 September 1994 had been withheld. The salaries resulting from the survey were 1.4 per cent higher than the pre-September 1994 salaries. The net result of the survey was therefore a salary scale for the Trades and Crafts category which was approximately

1.0 per cent lower than the scale which would have been in place had the survey not taken place. As a result, some reduction in expenditures may be expected in the future.

338. The interim adjustment to salaries of 2.45 per cent effective 1 September 1994 was also withheld for the Security Service category pending the outcome of the survey. Salaries resulting from the survey were 4.3 per cent lower than the pre-September 1994 salaries. The net result of the survey was therefore a salary scale for the Security Service which was 4.3 per cent lower than the existing scale. As a result, some reduction in expenditures may also be expected in the future.

339. The salary scales recommended for the five categories surveyed in New York are reproduced in annex XVI. The annual financial implications of the Commission's recommendations regarding the salary scales for the General Service, Public Information Assistants and Language Teachers categories were estimated at $4.5 million, taking into account also the increase in the level of dependency allowances for all locally recruited categories of staff in New York. Savings resulting from reduced expenditures from the salary scales for the Trades and Crafts and Security Service categories have not been included in this figure.

C. Survey of best prevailing conditions of employment for the General Service and related categories at Geneva

340. The Commission conducted a survey of best prevailing conditions of service for the General Service and related categories at Geneva. The methodology approved by the Commission to conduct such surveys at headquarters duty stations emphasizes the involvement of staff representatives in the survey process in conjunction with the organizations and the ICSC secretariat. In accordance with this, the Commission and its secretariat endeavoured to involve the representatives of the executive heads and staff of the Geneva-based organizations from the beginning of the survey exercise. In spite of the refusal of the staff representatives to participate in the survey, the Commission proceeded with the survey with full participation of the representatives of the executive heads, and the Chairman wrote to the selected employers from the Geneva labour market to participate in the survey. The Commission was concerned to find out that the representatives of staff in their letter dated 2 June 1995 urged those employers to refrain from participating in the survey. The staff representatives also threatened employers that the staff intended to appeal the results of the survey, should they turn out to be unfavourable, and that in such an appeal any anomalous situations would be made public, thus breaching the confidentiality of the data provided by the participating employers. The Commission considered that this was in direct contravention of the ICSC Chairman's promise to employers to respect the confidentiality of the data provided and the decision of the executive heads of the Geneva-based organizations to participate in the survey. The action by the staff was tantamount to hindering the work of the Commission mandated under its statute and was a serious breach of the code of conduct of international civil servants.

341. The salary scale recommended by the Commission for General Service staff at Geneva is reproduced in annex XVII.A. As the recommended scale is 7.4 per cent below the current scale in effect since 1 January 1994, significant reduction in expenditures can be expected. A precise estimate of future reduction in

expenditures cannot be provided as this will depend on the procedure used for the implementation of the recommended scale, as well as its effective date.

342. The Commission also conducted a survey of best prevailing conditions of service for the United Nations language teaching staff at Geneva. The salary scale recommended by the Commission is reproduced in annex XVII.B. As the recommended scale is 1.3 per cent below the current scale in effect since 1 January 1994, some reduction in expenditures can be expected. A precise estimate of future reduction in expenditures cannot be provided as this will depend on the procedure used for the implementation of the recommended scale, as well as its effective date.

D. Survey of best prevailing conditions of employment in Rome

343. The Commission conducted a survey of best prevailing conditions of service for the General Service and related categories in Rome, with a reference date of 1 November 1994. It will be recalled that in the context of its 1992 review of the General Service salary survey methodology for headquarters duty stations, the Commission addressed the issue of duty stations where the local language was not a working language of the organization. In previous surveys an adjustment had been made at two duty stations (Vienna and Rome) in recognition of the difficulty of recruiting local staff with appropriate language skills. As that difficulty had gradually diminished, the Commission considered that such adjustments were no longer necessary. Should that change in the methodology result in survey salaries that were lower than the existing salaries, thereby leading to a freeze, the Commission would consider a phased approach to the elimination of the factor.

344. During its consideration of the Rome survey, the Commission noted that the pre-survey salaries included a 4 per cent adjustment for the language factor. Elimination of that factor would have resulted in survey salaries lower than the existing salaries. Bearing in mind its decision as outlined above, the Commission decided that the language factor should be phased out for Rome as follows: the scale with an effective date of November 1994 already included a deduction of one percentage point from this factor. A similar percentage point deduction should be made from future interim adjustments, so as to ensure that the four-percentage-point language factor was eliminated by the time of the next survey.

345. The salary scale recommended by the Commission is reproduced in annex XVIII. The financial implications of the Commission's decision regarding the phased elimination of the language factor were estimated at $3.94 million up to November 1996 at the exchange rate of 1,560 lire to the United States dollar in effect on 1 November 1994. With the complete phasing out of the adjustment for the language factor as of 1 November 1996, savings amounting to approximately $3.3 million per annum would be realized.

Chapter V

ACTION TAKEN BY THE COMMISSION UNDER ARTICLE 17 OF ITS STATUTE

Implementation of the decisions and recommendations of the Commission

346. As part of its ongoing responsibilities, ICSC undertook a review of the implementation by the organizations of its decisions and recommendations. The review was intended as an interim implementation report, on the basis that a comprehensive report would be made in 1997 in line with the arrangements for such reports that ICSC had agreed and reported to the General Assembly in 1992. 16/

Views of the organizations

347. The Chairman of CCAQ said the findings of the ICSC secretariat in general confirmed that there continued to be a high level of adherence to and consistency in the application of ICSC decisions and recommendations. Some issues raised other questions, such as the linkage between personal promotions and, more especially, supplementary payments and difficulties with remuneration levels. CCAQ appreciated the clarifications regarding personal promotions provided by the secretariat (see paras. 350-351). Personal promotions had to be seen in the context of overall human resources management: CCAQ would welcome reconsideration of the matter in that context, and particularly in connection with merit concerns.

Discussion by the Commission

348. The Commission noted a generally positive picture of adherence to ICSC decisions and recommendations. It confirmed the importance of the monitoring exercise and looked forward to receiving a comprehensive report in 1997. The following observations were made on specific items.

349. Language incentive. It was recalled that when this subject had been discussed in 1993, 17/ the Commission's view had been that incentives should not be provided for acquiring abstract or theoretical knowledge, but rather for the practical use and application of languages in the interest of improved organizational effectiveness. The Commission wished to reaffirm that position. At the same time it noted the provision in section II.E of General Assembly resolution 48/224 requesting "all United Nations organizations to pay particular attention to the situation of staff members whose mother tongue is not an official language of the United Nations". In the Commission's view, the practical meaning of that provision was not clear, nor did it seem in concordance with the principle that organizational need and efficiency should have primacy in that area. It noted that in practice organizations gave equal treatment to staff under their language training programmes.

350. Personal promotions. The Commission recalled that in section I of its resolution 49/223 the General Assembly had noted with regret that ILO had not consulted with ICSC before putting forward a proposal on personal promotions. In that connection, ICSC noted the following explanation by the representative of ILO of the circumstances surrounding the introduction of the ILO scheme. The ILO Governing Body had mandated the Director General in November 1993 to abolish the extra steps that ILO had previously maintained beyond the common system scale and to negotiate modalities for phasing out extra steps for serving staff.

The results were to be presented to the Governing Body for decision in November 1994. Negotiations with the staff had been undertaken within that framework. The ICSC recommendations on merit awards (which had become available only in July 1994 and were considerably more limited than ICSC's previous thinking in that area) had not been considered by the staff as adequate replacement for the existing entitlement. The ICSC proposals would, moreover, have required changes in ILO's performance management system, which could not be carried out within the time frame for decision set by the Governing Body. The staff had proposed instead an extension of the personal promotion scheme introduced in ILO in 1985 in line with the parameters set by ICSC. The package ultimately negotiated, which had been accepted by the Governing Body, was very restrictive in scope and would affect very few staff (for example, in 1995 it would apply to a maximum of 15 staff).

351. It was also noted that some organizations had expressed concern about the internal consistency of the positions taken by the Commission over the years in respect of personal promotions. It was clarified by the ICSC secretariat that the 1984 recommendations 18/ in this area had been of a parameter-setting nature and had been framed in a climate of hesitation about the wisdom of such measures. In 1993, the Commission had reaffirmed its 1984 parameters, while noting that the introduction of merit awards should reduce organizations' need for personal promotions (given that one of the conditions for granting personal promotions was "truly exceptional merit", which would presumably be accommodated under a merit award scheme). 19/ The Commission had reiterated that position in 1994 in its consideration of performance management measures. The Commission noted that personal promotions appeared to be a growing practice; for some, it was another instance of patchwork measures taken to compensate for inadequate salary levels. The Commission reaffirmed that it was not an advocate of personal promotions, which should remain an exceptional measure. It would revert to the matter in the context of its 1997 review of performance management measures.

352. Supplementary payments. The Commission had a preliminary consideration of the issue at its forty-first session. It was reviewed more substantively at the forty-second session in the context of the application of the Noblemaire principle (see paras. 224-241 above).

Decisions of the Commission

353. The Commission decided to take the following action in respect of the subjects covered in the implementation report:

(a) Language incentive: (i) to take note of the information presented by the organizations, pending further review as requested by the General Assembly in its resolution 48/224; (ii) to note with appreciation the action taken by the World Intellectual Property Organization (WIPO) to bring its language incentive scheme into line with ICSC parameters; (iii) to invite those organizations that had not done so to introduce mechanisms for periodic retesting for language proficiency; and (iv) to reaffirm that the basic rationale for language incentives should be to encourage the practical use and application of languages in the interest of improved organizational effectiveness;

(b) Long-service/merit steps: (i) to note the action taken by ILO and the World Health Organization (WHO) to bring their practices with regard to long-service and meritorious increases into line with that of other organizations; and (ii) to reiterate its earlier recommendations that organizations granting merit increments should discontinue them in favour of lump-sum bonuses;

(c) Post adjustment and rental subsidy thresholds: to note the confirmation by organizations responding to the questionnaire that they were implementing post adjustment classifications and rental subsidy thresholds as promulgated;

(d) General Service salary surveys: to take note of the information presented;

(e) Implementation of job classification standards: (i) headquarters duty stations: to note a generally satisfactory rate of implementation of job classification standards and to request organizations that had not yet done so to ensure the timely and full implementation of the relevant standards; and (ii) non-headquarters duty stations: a. to take note of the positive experience reported by the organizations in the use of the global classification standard for non-headquarters duty stations; b. to take note of the information on the implementation of the standards; and c. to invite organizations that had not yet done so to ensure the timely and full implementation of the standard;

(f) Administration of job classification: (i) to note with appreciation the efforts made to promote the understanding of the job classification system by management and staff and invite the secretariat and the organizations to pursue their efforts in this area; (ii) to note the efforts of the organizations to provide assistance to programme managers in organizational/job design; and (iii) to request the secretariat to investigate with the organizations the possibility of organizing a workshop on the subject;

(g) Common Classification of Occupational Groups: (i) to take note of the information on CCOG implementation and the development of linkages between job classification and other areas of human resources management; (ii) to express satisfaction at the generally high rate of CCOG implementation and to invite organizations concerned that had not yet done so to expedite the completion of CCOG coding; and (iii) to request the secretariat to complete its review of CCOG as soon as possible, with a view to assisting the organizations to build better linkages between job classification and other components of human resources management;

(h) Linked grades: to reiterate that the use of linked grades was unnecessary;

(i) Personal promotions: recalling that in 1984 it had agreed to the award of personal promotions as an exceptional measure and had prescribed strict parameters for them: (i) to reaffirm that, in general, it did not advocate the use of personal promotions; (ii) to confirm that it foresaw that the exceptional reasons which might lead to the award of personal promotions would be dealt with within the framework of other reward and recognition programmes; and (iii) to revert to this matter in the context of its 1997 review of performance management measures;

(j) Supplementary payments: to take note of the information presented at the current session and to note the secretariat's intention to prepare a more detailed report on the subject for consideration in the context of the examination of the Noblemaire principle.

Notes

1/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 10 (A/48/30), para. 100.

2/ Ibid., Forty-ninth Session, Supplement No. 30 (A/49/30), paras. 38-161.

3/ Office of Personnel Management (OPM) Central Personnel Data File quoted in Leadership for America: rebuilding the public sector (Taskforce Reports to the National Commission on the Public Service, Washington, D.C. 1989), (the "Volcker report"), p. 200.

4/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 30 (A/49/30), para. 105 (b).

5/ Ibid., para. 105 (a) and (c).

6/ Ibid., Forty-ninth Session, Supplement No. 30 (A/49/30), para. 114.

7/ These ratios are non-standardized and as such do not conform to the principles underlying the total compensation methodology.

8/ United States General Accounting Office, "World Bank and IMF pay and benefits compared with those of other organizations", July 1995.

9/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 30 (A/49/30), para. 140 (f).

10/ The Commission had decided, at its summer 1994 session, to postpone the new round of place-to-place surveys pending further work on external housing data and had deferred to its spring 1995 session substantive consideration of all other issues contained in the report on ACPAQ's 1994 session.

11/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, para. 261 (b).

12/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), para. 142.

13/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30), paras. 208-232.

14/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), paras. 188-197.

15/ Ibid., Forty-ninth Session, Supplement No. 30 (A/49/30), para. 194.

16/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30), para. 29 (a).

17/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), paras. 154-174.

18/ Ibid., Thirty-ninth Session, Supplement No. 30 (A/39/30), para. 222 (h) and (i).

19/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), para. 220.

Annex I

STATEMENT BY THE VICE-PRESIDENT OF CCISUA REGARDING CCISUA's WITHDRAWAL FROM THE COMMISSION

1. CCISUA announced its intention to reach a definitive conclusion at the end of the current session regarding its future participation in the work of the Commission. CCISUA had made it known that three items were key to the serious decision it would take: the consultative process, remuneration of the Professional and higher categories, and the methodology for the General Service and related categories salary surveys. On the first two items the Commission has taken decisions that were entirely political, with no consideration for the staff of the common system. As to the third item, we are certain that the results of the salary survey, [a] carried out without the participation of the staff who contested the methodology, will be considered valid by the Commission.

2. After having consulted the CCISUA Bureau, I am authorized to announce that CCISUA will no longer participate in the work of the Commission. We will continue, until the end of the current session, to participate in the work on the post adjustment as it is technical work in which CCISUA had already taken part. We will also be present for the conclusion of the report to ensure that our point of view has been duly reflected, but we will no longer participate in the work of the Commission so as to avoid being present when political decisions are taken.

3. You are requested to take note of this statement and the fact that after this session CCISUA will no longer participate in the work of ICSC. We have come to the end of the road after what has been a bumpy journey. We believe our presence here is superfluous. To those members who over the years have shown respect for the presence and views of their interlocutors we would like to extend our special thanks and appreciation.

Notes

[a] The reference here is to the General Assembly salary survey at Geneva.

Annex II

CONSIDERATION BY THE COMMISSION OF ITS FUNCTIONING AND WORKING METHODS

A. The matter was discussed at the Commission's twenty-seventh and twenty-eighth sessions in 1988, resulting in the following decisions: a/

- Annual report to be divided into two parts, the first part containing a general outline of the issue and the Commission's recommendations or decisions, the second part consisting of the views of the organizations and of the staff representatives and the discussion of the Commission;
- Informal pre-session briefings to be arranged for members of the Commission, as appropriate;
- Discussions to be held to the fullest extent possible in open sessions; priority items to be concluded in executive session at the earliest possible time, preferably in the first week;
- The secretariat to produce draft decisions as soon as possible upon the conclusion of each item;
- CCAQ and the staff representatives to present their comments on the draft decisions in writing;
- The Commission to consider whether, on an exceptional basis, further discussion on certain items should be held in open session in the light of the comments made by CCAQ and the staff representatives.

B. The Commission took the following decisions based on discussions at the second special and twenty-ninth sessions, held in 1989: b/

- Examination of facts and consideration of relevant information and alternatives to take place in open sessions;
- Executive sessions normally to be limited to taking decisions and the time spent in them minimized;
- Opportunity for further discussion in open session to be provided in the event new facts came to light in executive sessions.

C. The following decisions were taken at the Commission's thirty-first and thirty-second sessions, held in 1990: c/

- Representatives of CCAQ and of the staff to attend all Commission meetings, including those at which decisions were taken on all issues affecting the conditions of service of common system staff;
- Tripartite working groups to be established on major issues;
- Draft decisions of the Commission to be made available simultaneously and in a timely manner to members of the Commission, CCAQ and the staff representatives;

- A glossary of technical terms to be provided as a part of its annual report.

D. At its March 1991 session, the Commission addressed the FICSA proposal that all decisions emanating from the Commission be a negotiated set of recommendations rather than the decisions of ICSC accompanied by the views thereon of its interlocutors. The Commission considered that such a working arrangement would be contrary to the existing statute and incompatible with the basic role of the Commission as an independent and impartial body of experts. d/ In volume II of its annual report for 1991, the Commission presented its comments on the document prepared by CCAQ and approved by ACC on the functioning of ICSC. The ACC document had singled out three areas for criticism: increasing politicization; lack of appreciation for the differences among organizations; and an overburdened work programme and regulatory approach to issues. The Commission's responses dealt, inter alia, with those areas. e/

E. The Commission considered the matter at its thirty-sixth session in 1992 (in the context of the biennialization of the work programme of the Fifth Committee) and took the following decisions: f/

- To consider modifying the content and format of its report in odd-numbered years;

- To consider further options for streamlining its procedures and accelerating the pace of its deliberations;

- To adapt its work to the biennialization requirements, seeking certain exceptions as necessary.

Notes

a/ Official Records of the General Assembly, Forty-third Session, Supplement No. 30 (A/43/30), paras. 9-14 and 97-107.

b/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. I, paras. 13-24.

c/ Ibid., Forty-fifth Session, Supplement No. 30 (A/45/30), paras. 11-19.

d/ ICSC/33/R.16, para. 116.

e/ Ibid., Forty-sixth Session, Supplement No. 30 (A/46/30), vol. II, paras. 25-48.

f/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30), paras. 12-30.

Annex III

AGENDAS FOR THE ICSC SESSIONS IN 1996

Forty-third session (spring 1996)

1. Pensionable remuneration and pension entitlements:

    (a) Methodology for the determination of pensionable remuneration of:

        (i) Professional and higher categories;

        (ii) General Service and other locally recruited categories;

    (b) Common staff assessment scale;

    (c) Special index for pensioners.

2. Review of the mobility and hardship scheme.

3. Remuneration of the Professional and higher categories:

    (a) Base/floor salary scale;

    (b) Post adjustment matters:

        (i) Report of the Working Group on post adjustment;

        (ii) Report on the twentieth session of ACPAQ;

    (c) Review of the level of dependency allowances.

4. Conditions of service of the General Service and other locally recruited categories:

    (a) Survey results: London;

    (b) Survey preparation: Vienna.

5. Limited-duration employment arrangements.

6. Resolutions and decisions of the General Assembly and the legislative/governing bodies of other organizations of the common system.

Forty-fourth session (summer 1996)

1. Pensionable remuneration and pension entitlements.

2. Remuneration of the Professional and higher categories:

    (a) Evolution of the margin between the United Nations system and the comparator;

    (b) Comparison of pensionable remuneration.

3. Conditions of service of the General Service and other locally recruited categories:

   Survey results: Vienna.

4. Education grant.

5. Adoption of the annual and sessional reports.

Annex IV

COMPARISON OF AVERAGE NET REMUNERATION OF UNITED NATIONS OFFICIALS IN NEW YORK AND UNITED STATES OFFICIALS IN WASHINGTON BY EQUIVALENT GRADES

(Margin for calendar year 1995)

Grade	Net remuneration		United Nations/ United States ratio (United States, Washington = 100)	United Nations/ United States ratios adjusted for cost-of-living differential	Weights for calculation of overall ratio
	United Nations $	United States $			
P-1	43 464	30 532	142.4	123.3	0.4
P-2	53 954	39 500	136.6	118.3	6.6
P-3	64 829	49 393	131.3	113.7	22.0
P-4	77 003	64 970	118.5	102.6	31.0
P-5	89 537	76 004	117.8	102.0	27.0
D-1	97 797	83 149	117.6	101.8	9.7
D-2	104 806	93 392	112.2	97.1	3.3
Weighted average ratio before adjustment for cost-of-living differential, New York/Washington					122.1
Cost-of-living ratio, New York/Washington					115.5
Weighted average ratio, adjusted for cost-of-living difference					105.7

Annex V

TOTAL COMPENSATION METHODOLOGY

Methodology for identification of the highest-paid national civil service

The methodology for identifying the highest-paid national civil service is as follows.

Phase I

Step 1: Review existing criteria for selecting potential comparator(s), i.e., existing ICSC guidelines relating to national civil services employing significant numbers of staff at the relevant levels and having established grading patterns and conditions of remuneration and benefits;

Step 2: Select potential comparators for study using the criteria and empirical considerations, as necessary;

Step 3: Identify and evaluate cash and any significant non-cash compensation of potential comparators. This is a process of elimination in which it is anticipated that most of the potential comparators would be eliminated by an examination of compensation provisions. A strictly limited but representative job-matching exercise should be undertaken using a sample of position descriptions from each potential comparator to determine approximate grade equivalencies vis-à-vis the United Nations common system. The result of this process would be the selection of a minimal number of national civil services based on their net compensation provisions for further study in phase II. In evaluating compensation levels, appropriate income taxes and existing post-adjustment relativities would be applied;

Step 4: The results of step 3 would be provided to the Commission to seek its guidance with regard to proceeding to phase II.

Phase II

Step 1: Obtain a broadly representative sample of positions in the selected national civil services which are comparable to those in the Professional and higher categories in the United Nations. Evaluate those positions according to the United Nations master standard for classification;

Step 2: Identify and quantify all cash and non-cash remuneration elements paid by the minimal number of potential best comparators. The quantification of non-cash elements would be based on a modified total compensation approach using the existing methodology;

Step 3: Quantify retirement, health, life/accident and other relevant non-cash schemes;

Step 4: Calculate taxes payable to arrive at net remuneration;

Step 5: Determine exchange rate/cost-of-living adjustment methods to be used in converting remuneration amounts to a common base;

Step 6: Aggregate cash and non-cash values applying appropriate exchange rate/cost-of-living adjustment methods in order to rank the best potential comparators;

Step 7: Compare the aggregate of cash and non-cash elements of the top-ranked comparator in step 6 above to that of the current comparator based on a grade equivalency study along the lines of the periodic exercises conducted with the United States federal civil service.

Annex VI

Table A: Comparison of total compensation of Swiss officials in Berne and United States officials in Washington by equivalent grades

(Margin for calendar year 1995)

Grades	Total compensation comparison		Swiss/United States ratio (Switzerland, Berne = 100)	Weights for calculation of overall ratio
	Switzerland a/ $	United States b/ $		
P-2	46 370	37 583	123.4	6.6
P-3	49 985	47 873	104.4	22.1
P-4	51 604	62 453	82.6	31.1
P-5	55 311	73 426	75.3	27.1
D-1	56 210	88 567	63.5	9.7
D-2	62 040	93 110	66.6	3.3
Weighted average ratio after adjustment for Berne/Washington cost-of-living differential:				85.8
Berne/Washington cost-of-living ratio:				0.69

a/ These figures represent an adjusted net salary reflecting United States/Swiss differences in net salary, retirement values, health insurance values and work hour/leave time.

b/ These figures are identical to those used in margin calculations before the removal of dominance, except for the inclusion of the tax advantage for one child.

Table B: Swiss/United States total compensation comparisons - comparison of individual total compensation elements by grade

(In United States dollars)

Remuneration elements	Calculation of weighted averages						Weighted average	Ratio: Swiss/United States
	P-2	P-3	P-4	P-5	D-1	D-2		
Swiss net salary a/	82 877	89 933	95 666	104 212	109 951	120 096	98 068	1.53
United States net salary	37 583	47 873	62 453	73 426	88 567	93 110	64 116	
Swiss net salary b/	55 241	59 945	63 766	69 462	73 288	80 050	65 367	1.02
United States net salary	37 583	47 873	62 453	73 426	88 567	93 110	64 116	
Swiss pension	7 213	7 342	7 421	7 505	7 544	7 451	7 426	0.57
United States pension	8 590	9 987	12 552	14 844	18 118	19 052	13 101	
Swiss health insurance	-	-	-	-	-	-	-	
United States health insurance	7 278	7 094	6 808	6 587	6 277	6 185	6 770	0.00

a/ After application of exchange rate adjustment and before Washington/Berne cost-of-living adjustment.

b/ After application of Washington/Berne cost-of-living adjustment and standardized to a United States work year, i.e., adjusted for Swiss/United States differences in work schedule (2,181/2,086 hours), holidays (109.2/74.2 hours) and vacation (168/165.2 hours).

Annex VII

Table A: Comparison of total compensation of German officials in Bonn and United States officials in Washington by equivalent grades using Master Standard equivalencies

(Margin for calendar year 1995)

Grades	Total compensation comparison		Germany/United States ratio (Germany, Bonn = 100)	Weights for calculation of overall ratio
	Germany a/ $	United States b/ $		
P-2	55 230	39 957	138.2	6.6
P-3	60 689	49 957	121.5	22.1
P-4	66 034	65 754	100.4	31.1
P-5	79 501	76 788	103.5	27.1
D-1	100 782	83 933	120.1	9.7
D-2	99 220	94 176	105.4	3.3
Weighted average ratio after adjustment for Bonn/Washington cost-of-living differential:				110.5
Bonn/Washington cost-of-living ratio:				0.8157

a/ These figures represent an adjusted net salary reflecting United States/German differences in net salary, retirement values, health insurance values and work hour/leave time.

b/ These figures are identical to those used for margin calculations (see annex IV), except for the inclusion of the tax advantage of one child.

Table B: German/United States total compensation comparison - comparison of individual elements by grade

(In United States dollars)

Compensation elements	Grade						Weighted average	Ratio: German/ United States
	P-2	P-3	P-4	P-5	D-1	D-2		
German net salary a/	51 520	58 519	64 620	76 521	94 153	94 153	69 484	1.05 d/
United States net salary	39 957	49 957	65 754	76 788	83 933	94 176	66 257	
German net salary b/	42 025	47 734	52 711	62 418	76 801	76 801	56 678	0.86 d/
United States net salary	39 957	49 957	65 754	76 788	83 933	94 176	66 257	
German net salary c/	47 513	53 968	59 595	70 570	86 831	86 831	64 081	1.08 d/
United States net salary	37 695	47 129	62 032	72 442	79 182	88 845	59 566	
German pension	11 980	12 497	14 225	18 013	23 663	23 663	15 953	1.24 d/
United States pension	8 629	9 969	12 523	14 709	16 424	18 152	12 860	
German health insurance	8 897	8 543	8 570	8 735	8 897	8 897	8 673	1.28 d/
United States health insurance	7 258	7 098	6 810	6 601	6 437	6 271	6 792	
German work hours	2 007	2 007	2 007	2 007	2 007	2 007	2 007	0.96
United States work hours	2 086	2 086	2 086	2 086	2 086	2 086	2 086	
German holidays	84.7	84.7	84.7	84.7	84.7	84.7	84.7	1.14
United States holidays	74.2	74.2	74.2	74.2	74.2	74.2	74.2	
German vacation	256.4	256.4	256.4	256.4	256.4	256.4	256.4	1.55
United States vacation	165.2	165.2	165.2	165.2	165.2	165.2	165.2	
German sick leave	92.4	92.4	92.4	92.4	92.4	92.4	92.4	1.37
United States sick leave	67.6	67.6	67.6	67.6	67.6	67.6	67.6	

a/ After application of exchange rate and before Washington/Bonn cost-of-living adjustment.

b/ After application of Washington/Bonn cost-of-living adjustment.

c/ After application of Washington/Bonn cost-of-living adjustment, work-hours adjustments and employee pension contribution.

d/ These ratios are non-standardized as to the quantum of work and, as such, do not conform to the principles underlying the total compensation methodology.

Annex VIII

Comparison of total compensation of German officials in Bonn and United States officials in Washington by equivalent grades using OECD equivalencies

(Margin for calendar year 1995)

Grades	Total compensation comparison		Germany/United States ratio (Germany, Bonn = 100)	Weights for calculation of overall ratio
	Germany a/ $	United States b/ $		
P-2	58 111	39 957	145.4	6.6
P-3	63 587	49 957	127.3	22.1
P-4	66 895	65 754	101.7	31.1
P-5	81 219	76 788	105.8	27.1
D-1	100 782	83 933	120.1	9.7
D-2	109 986	94 176	116.8	3.3
Weighted average ratio after adjustment for Bonn/Washington cost-of-living differential:				113.7
Bonn/Washington cost-of-living ratio:				0.8157

a/ These figures represent an adjusted net salary reflecting United States/German differences in net salary, retirement values, health insurance values and work hour/leave time.

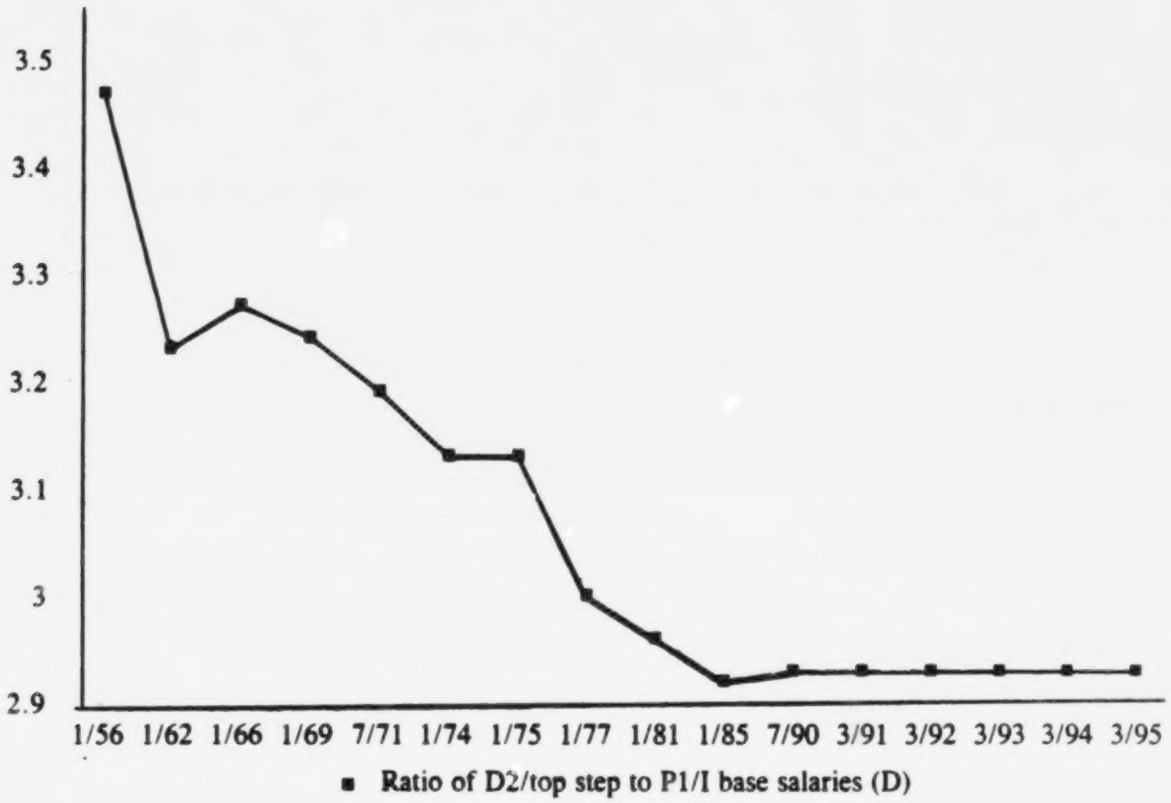
b/ These figures are identical to those used for United Nations/United States margin calculations (see annex IV), except for the inclusion of the tax advantage for one child.

Annex IX

STRUCTURE OF THE SALARY SCALE

Table A: Salary ranges - 1956-1995

Ratio of D-2 top step to P-1 net base salaries at the dependency rate



Note: Years shown relate to dates when new base scales were implemented.

Table B: Net salary ranges (maximum/minimum)

United Nations 1956 scale, D-2/P-1	3.47
United Nations 1995 scale, D-2/P-1	2.93
United States federal civil service	3.68
United Nations 1995 scale, D-2/P-2	2.32
World Bank	3.35
OECD	3.30
Germany	2.59 a/
Switzerland	1.39 a/

a/ Grades equivalent to D-2/P-2; hence they should be compared to United Nations 1995 D-2/P-2 ratio.

Table C: Inter-grade differentials, 1956-1995

Inter-grade differentials	1956 scale	1988 scale	1990-1995 scales
D-2/D-1	25.0	13.7	11.5
D-1/P-5	14.3	10.6	11.7
P-5/P-4	19.9	20.5	18.4
P-4/P-3	21.7	19.5	19.1
P-3/P-2	25.0	20.4	20.6
P-2/P-1	33.3	26.4	26.3
Range maximum/minimum	3.47	2.93	2.93

Table D: Number of steps within grades, 1956-1990

Grade	1956	1966-June 1990	July 1990
P-1	8	10	10
P-2	9	11	12
P-3	10	13	15
P-4	10	12	15
P-5	9	10	13
D-1	6	7	9
D-2	1	4	6

Table E: Eighteen-year maximum promotion/no promotion, total income ratios

Entrant level	1956 scale	1975 scale	1995 scale
P-2	1.2882	1.2788	1.2600
P-3	1.1765	1.1704	1.1548
P-4	1.1026	1.0957	1.0804
P-5	1.0661	1.0527	1.0489

Annex X

PROPOSED MARCH 1996 NET BASE SALARY SCALE FOR THE PROFESSIONAL AND HIGHER CATEGORIES

Intergrade step %		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
9.0	USG	102 793 a/														
19.5	ASG	94 279														
13.7	D-2	78 899	80 422	81 945	83 468	84 991	86 514									
15.7	D-1	69 392	70 734	72 076	73 418	74 760	76 102	77 444	78 786	80 128						
19.2	P-5	59 976	61 132	62 288	63 444	64 600	65 756	66 912	68 068	69 224	70 380	71 536	72 692	73 848		
19.1	P-4	50 315	51 411	52 507	53 603	54 699	55 795	56 891	57 967	59 083	60 179	61 275	62 371	63 467	64 563	65 659
20.1	P-3	42 253	43 282	44 311	45 340	46 369	47 398	48 427	49 456	50 485	51 514	52 543	53 572	54 601	55 630	56 659
23.0	P-2	35 182	36 097	37 012	37 927	38 842	39 757	40 672	41 587	42 502	43 417	44 332	45 247			
	P-1	28 603	29 395	30 187	30 979	31 771	32 563	33 355	34 147	34 939	35 731					

a/ Figures show net base salaries at the dependency rate.

CURRENT NET BASE SALARY SCALE FOR THE PROFESSIONAL AND HIGHER CATEGORIES

Intergrade step %		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
9.0	USG	93 735 a/														
19.5	ASG	85 792														
11.5	D-2	71 946	73 349	74 752	76 154	77 558	78 961									
11.7	D-1	64 544	65 745	66 946	68 146	69 347	70 549	71 750	72 951	74 152						
18.4	P-5	57 806	58 893	59 981	61 068	62 155	63 241	64 328	65 415	66 501	67 588	68 675	69 761	70 848		
19.1	P-4	48 824	49 885	50 944	52 003	53 064	54 123	55 183	56 244	57 304	58 363	59 422	60 484	61 543	62 603	63 664
20.6	P-3	40 997	41 993	42 989	43 983	44 980	45 975	46 971	47 967	48 963	49 959	50 955	51 950	52 946	53 941	54 938
26.3	P-2	33 990	34 882	35 772	36 663	37 553	38 443	39 334	40 224	41 116	42 006	42 895	43 787			
	P-1	26 907	27 764	28 620	29 476	30 331	31 186	32 044	32 899	33 754	34 610					

a/ Figures show net base salaries at the dependency rate.

Scale difference (%)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
USG	9.7														
ASG	9.7														
D-2	9.7	9.6	9.6	9.6	9.6	9.6									
D-1	7.5	7.6	7.7	7.7	7.8	7.9	7.9	8.0	8.1						
P-5	3.8	3.8	3.8	3.9	3.9	4.0	4.0	4.1	4.1	4.1	4.2	4.2	4.2		
P-4	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
P-3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	1.2	3.1	3.1
P-2	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.6	3.3			
P-1	6.3	5.9	5.5	5.1	4.7	4.4	4.1	3.8	3.5	3.2					

Annex XI

RESPONSES FROM THE PERMANENT MISSIONS OF GERMANY, SWITZERLAND AND THE UNITED STATES OF AMERICA CONCERNING SUPPLEMENTARY/EQUALIZATION PAYMENTS

A. Germany

1. Excerpt from the letter dated 28 July 1995 from the Acting Permanent Representative of Germany to the United Nations:

> "German nationals provided by the German Government on non-reimbursable loan to United Nations organizations continue to receive their German salary. Germany does not provide nationals to United Nations organizations on a reimbursable basis. They are either provided on non-reimbursable loan or on secondment. Seconded German nationals receive only their United Nations emoluments."

B. Switzerland

2. Excerpt from the letter dated 5 July 1995 from the Chargé d'affaires a.i. of the Permanent Observer Mission of Switzerland to the United Nations:

> "The appointment of Swiss nationals by the United Nations on a private basis is an area in which the Swiss authorities do not, as a matter of principle, involve themselves and which thus falls within the direct competence of the Secretary-General of the United Nations and the Swiss national concerned. On the other hand, the appointment of Swiss civil servants by the United Nations, on a temporary basis, is a particular case for which special legislation has recently been enacted. The statute in question (dated 31 March 1993) is applicable and, it should be pointed out, provides for both recognition of the civil servant's independence and loyalty to the international organization (art. 2) and for any payment of supplementary emoluments to have been approved by the international organization concerned (art. 5, 'in agreement with the international organization'). The Swiss legislation and practice are thus in accordance with the principles established by the United Nations for the appointment of Swiss nationals and civil servants.
>
> "At present, no Swiss civil servant is employed at United Nations Headquarters."

C. United States of America

3. Excerpt from the note verbale dated 19 June 1995 from the United States Mission to the United Nations:

> "The United States Government does not ever provide any kind of payments to individuals who are not on secondment from the Government. It should be noted that, of the 1,850 Americans in United Nations Professional positions, about 1,750 (95 per cent) were not on secondment from federal service.

"Furthermore, the United States Government does not provide any ongoing subsidies or other forms of payment to any United States national during their employment with the United Nations or other international organizations.

"As we have previously reported to the Commission, a very small number of United States nationals who return to the United States Government service after being seconded (transferred) to an international organization may be entitled to an 'equalization allowance' payment. Such payments are authorized only after the individual shows that the compensation they received while on secondment to the United Nations agency was less than the compensation they would have received from the United States Government if they had been on loan or 'detailed' to that agency. (Please note that when these differences occur, they are sometimes the result of a federal employee taking a United Nations job in a post below their federal grade and salary level.) Again, these payments are made only after the individual returns to United States Government service; under no circumstance are such payments made during individuals' United Nations service.

"As part of ongoing efforts to prioritize and rationalize data collection efforts, beginning in 1994 the Department of State discontinued compiling detailed information on Americans seconded to international organizations. Therefore, the data you requested on equalization allowances are not available. However, our 1993 data show that of the 100 individuals seconded to United Nations agencies, only 5 qualified for the equalization allowance. Compared to the 1,850 Americans in Professional positions throughout the United Nations system, this number is virtually insignificant.

"Between 1989 and 1993, 878 federal employees were seconded to United Nations agencies or other international organizations. All 878 of these individuals would have been entitled to equalization payments if they could show that their United Nations compensation was less than their federal compensation. During these five years, only 26 individuals qualified for the allowance. The fact that 852 (97 per cent) did not qualify for a payment indicates that, in the vast majority of cases, their United Nations compensation was equal to, or greater than, the federal compensation to which they would have been entitled had they been on a United States Government assignment in the location of their United Nations position."

Annex XII

PROCEDURE FOR ADJUSTING THE NET REMUNERATION OF STAFF FROM THE PROFESSIONAL AND HIGHER CATEGORIES BY SCALING FORWARD POST ADJUSTMENT INDICES

1. A scale-forward method adjusting net remuneration levels operates on post adjustment indices rather than on base salaries. (A method of this kind was used from 1985 to 1988 to deflate post adjustment indices during the freeze.)

2. An example of applying a 5 per cent salary increase by a base/floor increase (without consolidation) would be as follows:

	Before $	After 5 per cent increase $
Base salary	50 000	52 500
150 post adjustment index	25 000	26 250
50 post adjustment multiplier		
Net remuneration	75 000	78 750

i.e., everything, base, post adjustment and total, go up to 5 per cent. The post adjustment index (PAI) stays constant.

3. An example of scale-forward increase to give a 5 per cent increase in net remuneration would be as follows:

	Before $	After $
Base salary	50 000	50 000
Post adjustment (index 150, multiplier 50)	25 000	28 750*
Net remuneration	75 000	78 750

* PAI is scaled forward from 150 to 157.5; base salary stays constant but net remuneration rises 5 per cent as in paragraph 2.

4. There is no difference in increase amounts from using a "scale-forward" technique as opposed to increasing the base salary scale. However, the scale-forward arrangement has four characteristics which may be seen by some as advantages:

(a) The allowances linked to the base/floor (mobility, hardship, separation and hazard pay) are unaffected by the adjustment;

(b) The arrangement allows for precision in adjusting salary levels to exactly the margin level desired at the time the scale-forward is implemented whereas the use of the base/floor scale requires projection some time in the future;

(c) The arrangement allows the retention of the current GS-13/14 reference point between the United States and the P-4, step VI, United Nations grades used in base/floor adjustments;

(d) In the case of existing gaps between PAIs and multiplier levels these are cleared through an adjustment operation and, hence, increases are only applied to the locations where purchasing power parity justifies it.

An example may suffice:

Suppose a duty station has a multiplier of 50 but a post adjustment index of 140, i.e., for whatever reasons the pay level exceeds that justified by purchasing power parity.

Under a base/floor increase the pay level will increase as shown in paragraph 2 above, but under a scale-forward technique there will be no change as the index will still not reach the pay level.

Example:

> PAI 140 x 1.05 = 147, as 147 is less than 150, i.e., the pay level; there is no change in pay applied.

Annex XIII

TERMS OF REFERENCE OF THE WORKING GROUP ON THE POST ADJUSTMENT SYSTEM

1. Bearing in mind the overall objective of the post adjustment system to ensure purchasing power parity between the base of the system and other duty stations and over time, and noting the present difficulties being experienced with the existing system, the Working Group should:

(a) Review the basis on which the post adjustment is currently calculated, including the question of the amount of net base pay subject to the application of post adjustment, and identify major problems with its current operations;

(b) Examine the implications of changed conditions as regards the strength of the currency of the base of the system *vis-à-vis* other major currencies in the world economy including the effect of this at the base (New York) and at all other major locations with similar characteristics;

(c) Examine how the present methodology is reflecting currency fluctuations in the post adjustment system;

(d) Assess the efficacy of the post adjustment system in meeting its intended goals and how it is responding to new conditions;

(e) Examine the underlying principles, structure and mechanisms of the adjustment systems used by similarly situated employers in both the public and private sectors.

2. The Working Group should identify alternative approaches for ensuring a more viable and equitable system including proposals for improvements to the existing system.

3. The Working Group should be composed of three members of the Commission, three representatives of the organizations and two representatives of each of the staff organizations. Support should be provided by the secretariats of ICSC and CCAQ.

4. The Working Group may obtain the services of outside experts.

Annex XIV

REPORT OF THE LEGAL CONSULTANT TO THE ICSC SECRETARIAT ON THE LEGAL ASPECTS OF THE METHODOLOGY TO IMPLEMENT GENERAL ASSEMBLY RESOLUTION 48/224, SECTION II.G

I. THE ISSUES INVOLVED

1. The legal issues explicitly or implicitly identified during the Commission's discussions at its forty-first session in the context of General Assembly resolution 48/224, section II.G, are the following:

(a) In view of the disparate definitions of the area of the Geneva duty station, which in the United Nations Staff Rules includes the adjacent areas of France but in the regulations or rules of the other Geneva-based organizations are restricted to Switzerland:

(i) Would it be necessary to amend the applicable regulations or rules before introducing a post adjustment calculation that takes account of areas not included in the existing definitions?

(ii) Would present staff have an "acquired right" to the existing definition in the employing organization, so that any revised definition could only be applied to staff recruited thereafter?

(b) Could a post adjustment rate that took into account price levels in France be equitably applied to staff members legally precluded (i.e., by French law) from residing in France?

(c) Of what relevance is the fact that France is not a party to the Convention on the Privileges and Immunities of the Specialized Agencies and has not concluded headquarters agreements with the Geneva-based specialized agencies?

II. FACTUAL BACKGROUND

2. New York is the current base of the post adjustment system. In establishing cost-of-living relativities between New York and other duty stations, place-to-place surveys are conducted on a periodic basis. As part of these place-to-place surveys, inter alia, prices of a predetermined basket of goods and services applicable in New York are compared with those for corresponding items of the same basket at other duty stations. The price collection exercise for New York takes into account where staff members actually reside, i.e., in which of the five boroughs of New York City, or the adjoining County of Westchester, or in the neighbouring states of New Jersey and Connecticut. In each of these areas price surveys are made, and these are averaged by weighting by the number of staff members who reside in each area. The weights, i.e., the numbers of staff members in each area, are estimated on the basis of responses to staff surveys.

3. Staff members of certain nationalities (currently just five, but a considerably higher number in the past) are required by United States law to reside either within 25 miles of Columbus Circle or within the five boroughs of New York City. However, in making the above calculations no account has ever been taken of these restrictions on some staff members.

4. At the other five headquarters duty stations aside from Geneva (London, Montreal, Paris, Rome and Vienna) the cost-of-living surveys similarly cover price collections in areas in which staff generally live. However, in respect of none of those duty stations do staff members routinely live in another country or area where price levels are significantly different from those of the headquarters city itself.

5. In respect of Geneva it is estimated that at present some 40 per cent of the Professional staff reside in surrounding areas of France, many of which are actually closer to the buildings in which they work than parts of the city or canton of Geneva or of the Canton of Vaud where the balance of international staff members live. However, the price surveys in respect of Geneva have always, or at least as long as ICSC has been in existence, only been made in the City of Geneva, excluding data from France but also from the rural areas of the canton and from the Canton of Vaud.

6. It also appears that some of the Geneva-based staff are, because of their nationality, precluded by French law or immigration practice from living in France. However, no data appear available on how many Professional category staff members are so handicapped.

III. ALTERNATIVE SOLUTIONS FOR GENEVA TO TAKE ACCOUNT OF THE GENERAL ASSEMBLY'S DIRECTIVE

7. ACPAQ and ICSC considered two alternative responses to the General Assembly's directive:

(a) To establish a single post adjustment index (PAI) for Geneva based on pricing surveys conducted where staff are actually living (i.e., in the City of Geneva, elsewhere in the canton or in the Canton of Vaud, and in France), weighting these data as is done in respect of New York City (see para. 2 above) or other headquarters duty stations;

(b) To establish two PAIs in respect of persons working in Geneva: (i) one for those residing in Geneva or elsewhere in Switzerland; and (ii) another for those residing in France.

However, two other alternatives might also be considered:

(c) To establish two PAIs in respect of persons working in Geneva: (i) one for those who are free to reside either in Switzerland or in France if they so choose; and (ii) another for those legally precluded from residing in France;

(d) To maintain a single PAI for Geneva which is based solely on price surveys in that city, but determined by comparison with price levels in Manhattan only, i.e., excluding for this purpose in respect of the base city the lower-priced areas in which many staff actually reside, in the same way such lower-priced areas are excluded in respect of Geneva by surveying prices only in that city.

IV. LEGAL ANALYSIS OF THE OBJECTIONS CONSIDERED BY THE COMMISSION

A. Need to harmonize the definitions of the duty station

8. Without examining the texts of the relevant agency staff regulations and rules, it is not possible to essay any advice on whether it is necessary to amend them in order to implement a new procedure for determining the Geneva PAI. In any event, it is for each organization to determine whether such a step is necessary, and if so, which governing organ must take the decision. To comply with its obligations under its relationship agreement with the United Nations and under the ICSC statute, it is up to each organization to take measures, if it legally can do so (and this point is addressed below), to put itself in a position whereby it can comply with any General Assembly decision relevant to the implementation of the common system.

B. Acquired rights

9. No staff could have an acquired right to any staff regulation or rule or to any procedure that results in a particular method in calculating the Geneva PAI. The United Nations Administrative Tribunal has repeatedly emphasized that acquired rights are not violated if a change in rules is applied only prospectively, without changing rights relating to past periods of service. a/ The ILO Administrative Tribunal has numerous times held that even though staff may have an acquired right to a particular allowance or benefit or adjustment, if these were of a sort that reasonably might have influenced the decision to enter the employ of the organization, staff do not have such a right to a particular amount of such allowance, benefit or adjustment, or to a particular method for calculating such amount; indeed, staff members can expect that both the amount and the method of calculation will change from time to time. b/

10. Applying these standards in the present instance:

(a) It seems most unlikely that any staff member considered it decisive, in entering the employ of one of the Geneva-based organizations, that the post was defined as precisely Geneva alone, and that the PAI would be calculated solely based on Geneva prices, regardless of where the staff member in question, or any other staff members, actually lived;

(b) No Professional staff member of a United Nations common system organization has an acquired right, and in most cases not even a contractual right, to assignment to a particular duty station, since all are subject to assignment by the executive head to any of the offices of the employing organization. If any of the Geneva-based organizations were to establish offices in Paris or Ferney, its Professional staff members could be assigned to them as their new duty station. *A fortiori* staff cannot have an acquired right to a particular geographic definition of their duty station;

(c) To the extent that it appears that the present method of calculating the Geneva PAI is anomalous compared to the method of making such calculations in respect of other duty stations (particularly as regards the price collection in New York), and can even be said to be objectively defective, no staff member could have an acquired right to the maintenance of such an anomaly or defect. c/

C. Right to equal treatment

11. Staff members are entitled to equal treatment to the extent that their circumstances correspond (e.g., same grade and step, same family situation, etc.: hereinafter, "equivalent staff"). This principle is sometimes expressed as "equal pay for equal work", though in the established practice of the United Nations common system this actually means "an opportunity to enjoy an equal standard of living for equal work". Thus, normally, equivalent staff at the same duty station receive the same remuneration, regardless of whether they reside or shop in a high-cost or a low-cost area proximate to their place of work, since a single PAI is established for the whole duty station, reflecting a weighted (according to where staff members actually live and shop) average of the relevant cost data; it is left to each staff member to decide where to reside, in the light of such remuneration and of personal circumstances and preferences. Equivalent staff at different duty stations receive remunerations that differ (by means of the post adjustment system) so that those whose costs correspond to the weighted average at their duty station can enjoy the same living standard. Although not perfect or fully logical, this system has long been considered as satisfying the legal requirement of equal treatment.

12. Because the Geneva PAI has been based solely on cost surveys in that city (which may be presumed to have generally higher costs than those in the rest of the canton, in neighbouring cantons and especially in neighbouring areas of France), Geneva-based staff have, regardless of where they actually reside, enjoyed a relatively higher remuneration than those assigned to duty stations where the PAI is calculated taking into account the actual residence of staff members. This would seem to violate, to the disadvantage of such other staff, the requirement of equal treatment as discussed in the previous paragraph and it is this inequality that the General Assembly resolution requires the Commission to eliminate.

13. A problem arises, however, in respect of staff who for some reason beyond their control do not enjoy the same freedom as most staff members to reside in all areas that have reasonable proximity to their place of work. Aside from New York, where certain staff members are restricted as described in paragraph 3 above, Geneva is the only headquarters duty station at which this situation appears to arise. This is attributable to the fact that an undetermined number of staff members are said to be precluded by French law or immigration practice from living in areas of France close to Geneva, where a great number of their colleagues choose to and can reside. These staff members must therefore reside in Switzerland (but not necessarily in the City of Geneva) and the question arises whether in respect of them it would be equal treatment to pay a remuneration partially calculated on the basis of costs in areas where they cannot reside, and perhaps even shop. Since the answer to the previous question is presumably negative, how can such staff members receive truly equal treatment? The answer would seem to be that their PAI should be calculated on the basis of costs in the areas in which they can and do actually live in Switzerland.

14. However, this in turn raises a further question: must staff members actually residing in Switzerland but who are not legally constrained to do so be treated equivalently to those referred to in the previous paragraph, or should their remuneration be based on a PAI reflecting their freedom to live in France if they so choose? To this it is not possible to give an unambiguous legal answer, in the absence of conclusive Tribunal jurisprudence. d/ However, it would seem that in this respect basing equivalence on what staff members are free to do reflects more closely the PAI calculation made in respect of New York

than basing equivalence on what staff actually do. Nevertheless, the choice between the solutions outlined in paragraph 7 (b) and (c) above should be treated as falling within the area of legislative or administrative discretion.

15. One other matter that should be explored is whether France could not be prevailed upon to permit, also taking into account its obligations as a member of the European Union and as a participant in the Schengen arrangements, all international staff members, regardless of nationality (and that of their spouses), to reside in the areas of France adjacent to Switzerland. That would naturally solve the problem referred to in paragraph 1 (b) and explored in paragraphs 13 and 14 above.

D. Privileges and immunities in France

16. The fact that France is not a party to the Convention on the Privileges and Immunities of the Specialized Agencies or to any headquarters agreement with a Geneva-based agency would seem to be irrelevant. In the first place, some 40 per cent of the staff have nevertheless decided and arranged to live in France. The fact that there are outstanding questions involving taxation are not relevant either: if such matters are not resolved satisfactorily, either generally or specifically with respect to a particular staff member, such staff member can always, taking into account all circumstances relevant to him/herself, move back to Switzerland.

17. In this connection it should be noted that the United States is also not a party to the Convention on Privileges and Immunities, nor to any headquarters agreement with a specialized agency, many of which have some staff in New York. All staff members (except assistant and under-secretaries-general) are subject to different sales taxes and different real property tax rates. These are all matters that staff members take into account in deciding where in the New York area to reside, and these differences have not constituted an obstacle to establishing a single PAI for New York.

V. LEGAL ANALYSIS OF THE VARIOUS SOLUTIONS

18. On the basis of the above, the following are the legal considerations relevant to the proposed solutions set out in section III above.

19. Generally, it will be for each organization to decide whether and how it need amend its staff regulations or rules, but none of them seem precluded by acquired rights or other legal constraints from doing so. Also generally, the non-participation of France in the Convention on the Privileges and Immunities of the Specialized Agencies is not relevant to any of the solutions.

20. With reference to the solution suggested in paragraph 7 (a), the only relevant legal objection is its imposition on those unable to reside in France. It would therefore seem important to determine approximately how many Professional staff members are so limited and whether it would be possible to induce France to accept their residence (see para. 15). If ultimately there are only very few so handicapped, a special solution (perhaps along the lines of that proposed in paragraph 7 (c)) might be developed for them.

21. The principal legal objection that could be advanced to the solution suggested in paragraph 7 (b), aside from any practical and staff policy considerations, is that it differs from the approach used in New York and at

other headquarters duty stations. Furthermore, the failure to average would advantage staff residing in Switzerland and disadvantage those residing in France. However, as relevant circumstances in New York and Geneva are significantly different (i.e., the existence of a national border), the different methods of calculating the PAI could be justified.

22. There probably also are no valid legal objections to the solution in paragraph 7 (c); but see paragraph 14 above.

23. With respect to the solution in paragraph 7 (d):

(a) It should be noted that it does not really comply with section II.G of General Assembly resolution 48/224, though in effect it may largely meet the preoccupation that motivated that decision: the concern that the Geneva PAI is inappropriately high because of its faulty method of calculation;

(b) It may do only rough justice, depending on comparing whether the ratio in New York City of an actual PAI to a notional PAI based only on Manhattan prices is sufficiently similar to the ratio of the actual Geneva PAI to what it would be if established by the same methodology as used in New York and other duty stations.

24. Finally, it should be noted that maintenance of the current system of computing the Geneva PAI is legally objectionable from two points of view:

(a) It would not respond to a General Assembly resolution by which the Commission is bound;

(b) By objectively and seriously overstating the PAI of at least those staff working in Geneva but residing in France, it offends against the equal living standard for equal work principle of the entire post adjustment system, thus relatively disadvantaging the Professional staff at all other duty stations. This objection would seem to be more serious than those that can be advanced against any of the alternatives examined above.

Notes

a/ E.g., United Nations Administrative Tribunal Judgement No. 370 (Moliniere) (relying on Judgements Nos. 82 (*Puvrez*); 395 (*Qummih*), part XXIII; 400 (*Connolly*), parts IX and XI; 404 (*Brede II*), part XIII; 478 (*Sundaram*), part X; and 634 (*Horlacher*), part VI).

b/ E.g., International Labour Organization Administrative Tribunal Judgements Nos. 368 (*in re: Elsen and Elsen-Drouot*); 372 (*in re: Guyon (No. 2)*); 660 (*in re: Choentowsky (No. 2) et al*.), part 5; 726 (*in re: Andres (No. 2) et al*.), part 15. For a full discussion, see ILOAT Judgement No. 832 (*in re: Ayoub et al*.), parts 10-15, in which the Tribunal concluded "that because the altered term is in the rules and because of the reason for the amendment, and not withstanding the financial injury to the complainants [through a change in the calculation of pensionable remuneration], there was no breach of an acquired right" (final para. of part 15).

c/ See United Nations Administrative Tribunal Judgement No. 546 (*Christy et al*.), para. XV.

d/ The jurisprudence reflected in United Nations Administrative Tribunal Judgements Nos. 408 (Rigoulet) and 656 (Kremer and Gourdon), while suggestive, is not directly relevant, as they primarily interpreted the text of a United Nations staff regulation.

Annex XV

COMMENTS BY THE INTERNATIONAL LABOUR ORGANIZATION ON THE LEGAL ADVICE PROVIDED TO THE COMMISSION ON THE METHODOLOGY TO IMPLEMENT GENERAL ASSEMBLY RESOLUTION 48/224, SECTION II.G

1. The legal advice given by the consultant in response to the request of the International Civil Service Commission (ICSC) is intended to show that maintaining the system of computing the Geneva post adjustment would be legally incorrect since, unlike the system followed for New York, it does not take into account the real standard of living (sic a/) in the places where staff members actually reside and that maintaining that system would consequently be contrary to the resolution of the General Assembly (para. 24).* By treating the situation in Geneva and the situation in New York as if they were alike, the consultant seems to have lost sight of the fact that, where Geneva is concerned, there is an international political border (reinforced by the entry into force of the Schengen agreements) between place of residence and the workplace. This omission distorts his conclusions on three issues: the competence of ICSC, the operational prerogatives of the organizations concerned and, lastly, equal treatment.

I. COMPETENCE OF ICSC

2. The consultant does not deal directly with this subject. In response to specific questions raised by ICSC as to whether there is a need to harmonize the existing definitions of duty station, he takes the view that it is for each organization to determine whether an amendment is necessary, taking into account its obligations under its relationship with the United Nations and under the ICSC statute, in order to comply with the decisions of the General Assembly relevant to the implementation of the common system (para. 8).

3. This assertion puts things the wrong way round. Under the terms of the ICSC statute, the Commission's mandate is to classify duty stations for the purpose of applying post adjustments, in other words, to calculate the cost of living in duty stations as defined in the relevant basic documents. The Commission's mandate is not to redefine duty stations so that they coincide with the places where staff reside in response to the supposed requirements of the methods for calculating the cost of living. The argument based on the General Assembly's intent is in that respect devoid of any legal value (not to say circular). ICSC, like the General Assembly itself, is legally bound by the ICSC statute as long as the statute has not been amended. Contrary to what the consultant seems to suggest when he states that staff members, because they do not have an acquired right to assignment to a particular duty station, do not, *a fortiori* (*sic*?), have a right "to a particular geographic definition of their duty station" (para. 10), the General Assembly cannot, notwithstanding all its powers, decide that Geneva is in France.

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* All paragraph references are to paragraphs in annex XIV.

II. OPERATIONAL PREROGATIVES AND REQUIREMENTS OF THE ORGANIZATIONS

4. By asserting that the duty station should be redefined for purposes of the post adjustment in order to take into account place of residence, the consultant's analysis in a way makes the concept depend on the will of staff members, whereas the duty station is a matter to be determined by each individual organization, which defines the duty station in the light of its operational requirements. The duty station is determined on the basis of a number of legal conditions which must be present so that the organization and its officials can perform their tasks without interference.

5. The organization does not have the power to define the duty station for purposes of residence in such a way as to extend it into another country other than the country of employment inasmuch as it cannot force upon another country what it can require of the headquarters country, particularly the presence of its officials. The assertion on this point, to the effect that it is irrelevant that there is no headquarters agreement or that France has not ratified the Convention on the Privileges and Immunities of the Specialized Agencies (para. 16), is particularly perplexing. The paradox reaches its high point when the consultant, after mentioning the possibility of pressing France to ratify the Convention on the Privileges and Immunities of the Specialized Agencies, goes on to emphasize that, if that did not come to pass, the staff members concerned could always move back to Switzerland! If that is the case, this reasoning applies likewise to a possible decrease in the post adjustment, and one wonders what is the sense of the discussion.

6. The corollary of this observation is that staff members do not have the right to establish their residence in France. It is only a matter of tolerance, a possibility which some - but not all - staff members can take advantage of, strictly at their own risk and only to the extent that their choice will not interfere with the normal performance of their duties. As regards France, this appeared to be the situation since, without ratifying the Convention on the Privileges and Immunities of the Specialized Agencies, France seemed, in spite of some annoying administrative requirements, to accept up until recently that it should, as a member of the Geneva-based organizations, grant to their staff members similar privileges and immunities to those accorded by the host country. As soon as it appeared that this position was being placed in doubt, the organizations concerned, and ILO in particular, made it known that they reserved the right to require their staff members to live in the local area, since the attitude of the French Government amounted to a denial of the special status of international civil servants and hence created uncertainties with respect to possible interference with their functions (for example, in connection with customs inspections at the border). This firm response is no doubt one of the reasons which prompted the French Government to undertake to ratify the Convention on the Privileges and Immunities of the Specialized Agencies. It should be noted that, pending ratification of the Convention, ILO continues to attach to contracts a notice drawing attention to the implications of a decision to live in France.

III. EQUAL TREATMENT

7. This problem is dealt with by the consultant as if the situation of the Geneva headquarters was comparable to that of New York from the point of view of the geographical pattern of staff members' residences by overlooking the existence of an international political frontier; this distorts his analysis of

the problem of equal treatment of Professional staff. Moreover, it completely ignores the situation of staff members in the General Service category, to which reference was made last year.

A. Equal treatment of Professional staff at the different duty stations

8. A preliminary comment needs to be made. The consultant asserts that the system for calculating the Geneva post adjustment violates the principle of equal treatment in relation to other duty stations. But equal treatment of other duty stations is, by definition, in no way affected if the Geneva post adjustment is calculated on the basis of the cost of living in Geneva. If anyone has a right to complain about unequal treatment, it is not staff at other duty stations but rather staff members residing in Geneva who receive the same post adjustment as staff members living in France, when the latter have lower expenses. These staff members, however, are not complaining. The argument of equal treatment thus appears to be intended mainly to justify at any cost - let us not mince words - a reduction of the Geneva post adjustment. This intention is most clearly evident in the paradoxical comment in paragraph 21, to the effect that the use of two different indices for Switzerland and France would disadvantage those residing in France. If the indices are calculated to ensure equal purchasing power, this assertion makes no sense. It begins to make some sense in relation to the idea that the Geneva post adjustment is in any case too high and must be reduced.

9. Assuming that from the legal point of view the duty station could be extended to the other side of the border, which is not the case, the real question in determining whether there is unequal treatment would be to compare the situations in all their aspects, taking into account, in particular, the practical consequences entailed by the crossing of the border. The consultant has not examined this point, because he treats international State borders as if they were internal, federal or cantonal borders. There is reason to believe that, if the staff members who live in Switzerland - and they constitute the majority - do not feel that they are victims of discrimination, it is because they feel that the inconvenience or uncertainties inherent in the border crossing counterbalance any possible advantages.

10. Without undertaking an exhaustive analysis, reference should be made firstly to the tax factor. The importance of this difference was illustrated recently by France's claims with respect to the taxation of the income of all staff members of the specialized agencies. It is shocking in this regard to note that the consultant nevertheless seeks (para. 17) to treat the situation as the equivalent of the situation in the United States, as if differences in consumer taxes did not have a radically different significance from the point of view of equal treatment than the significance which an income tax on the earnings of international civil servants would have. It should in any event be emphasized that, in keeping with the logic of the position outlined above, ILO has indicated that such a situation, in so far as it is the consequence of a private choice made by the staff member, should be the responsibility of the staff member and that the organization would refuse to reimburse such taxes for the sake of equal treatment. If such a situation were to materialize, the difference in the cost of living would, moreover, largely be offset by the tax factor. The consultant's logic would require the organizations to pay the difference in such a case; one might then be faced with a "zero-sum" transaction in financial terms - but not in terms of its bureaucratic complications - which

would entail giving back with one hand what had been taken away with the other through a reduction in post adjustment!

11. While it seems that this eventuality will, most fortunately, be avoided, the same is not true for the many other differences associated with the existence of an international border, which entails important quantitative differences as compared with cantonal or federal frontiers in respect of indirect or consumer taxes. And these differences will no doubt increase with the introduction of a value-added tax in Switzerland, where the rate will be much lower than in France (where it has just been increased) and where it will not be reimbursed to staff at the higher levels.

12. Contrary to what the consultant seems to postulate, staff members are not free to do their shopping wherever they please. Apart from the case in which importation is prohibited, staff must declare goods that they import and the formality of making a customs declaration, even when it results in comparatively modest duties, is an inconvenience that cannot be left out of account.

13. In more general terms, crossing the border is a source of uncertainties, petty annoyances and, especially, delays (it increases the journey between the workplace and home and, unlike in New York, the persons concerned bear the full burden of the increase). For a number of staff members who live in Switzerland, the border crossing requires a visa, which is extremely expensive, if not prohibitive. Even without seeking to quantify every last thing, it does not seem very serious to seek to come to a conclusion without taking the trouble of considering such factors.

B. Equal treatment with the General Service

14. It will be recalled that some General Service staff members have been recruited from the area adjacent to the border and that even those who have not been recruited from that area go there to live in large numbers. In accordance with the Flemming principle, their salaries are calculated on the basis of the best prevailing rates of pay in Geneva, without any restriction or reduction linked to proximity to a lower-cost area. It would moreover be unthinkable for companies in Geneva to pay lower wages to workers from across the border in view of the lower cost of living there. b/ Such an approach would be considered a violation of the principle of equal pay for equal work. How then can one think that work should be recognized as having the same value for General Service staff from both sides of the border and that it should not be the same for Professionals?

* * *

15. In conclusion, it should first be emphasized that in the current climate of zero-growth or resource reduction, the organizations are no less concerned than ICSC and the General Assembly with cutting costs. In the light of the foregoing, however, they are not in a position to consider that such savings can be realized through a reduction in the post adjustment of Professional staff in Geneva, because the justification given for the reduction is a fallacious and incomplete comparison of the situations in Geneva and New York.

16. Even if the legal conditions existed to place in the same category areas where staff live on both sides of the border, it might be asked whether, in that case, the solution likely to produce greater savings is not to move the duty station or some units of the organization to where staff live instead of

redefining duty stations on the basis of residence. Obviously, such a solution would, in particular, avoid discrepancies between the Professional and General Service categories.

17. As long as that is not the case, the fact of residing in France, that is, outside the duty station, must be considered a matter of free choice. From the point of view of the organizations, this freedom is merely tolerated in so far as its exercise does not interfere with their functioning and does not cost them anything.

18. From the staff members' point of view, it is hard to know on the basis of what principle this freedom of choice could legitimatize a reduction in the pay of those who could exercise it, but do not. They are entitled to a post adjustment calculated on the basis of the cost of living where they work because, by definition, they are all entitled to live there (which is not the situation in respect of France). Moreover, this freedom is not enjoyed by everyone. In that connection, it is not irrelevant to recall that the methodology of ICSC itself excludes any benefit that is not automatically extended to all staff members, such as diplomatic privileges. In the same vein, and even if it does not relate directly to the matter at hand, the findings of the Administrative Tribunal of the International Labour Organization in Judgement No. 1000, with which the consultant is familiar and certainly does not disavow, are not without a certain relevance in this connection.

19. Since the premise of the demonstration that the current method of calculation is illegal is false, there seems to be no point in entering into a detailed discussion of the proposed alternatives, which would, however, raise a great many questions not only about their practical viability but also about their efficacy in achieving the objective sought (which is also the objective pursued by the Geneva-based organizations), i.e. savings. The solutions proposed in paragraph 7 (a) and (b) c/ would not result in the expected savings, since regardless of whether there was a single index covering both sides of the border or two indexes for different places of residence, nothing would prevent staff members who live in France from taking up residence in Switzerland (whether in reality or fictitiously), thereby changing either the weighting of the data in the case of the solution in paragraph 7 (a), or directly changing the condition of application of the index in the case of the solution in paragraph 7 (b).

Notes

a/ Paragraph 24 of the document contains a reference to "[an offence] against the equal living standard for equal work principle", whereas the post adjustment system is based on the equalization of purchasing power and not on the equalization of living standards.

b/ Thus, for example, the staff of the European Organization for Nuclear Research (CERN), without distinction as to category, receive the same pay, irrespective of where they reside, even though CERN has concluded headquarters agreements with both Switzerland and France.

c/ "(a) To establish a single post adjustment index (PAI) for Geneva based on pricing surveys conducted where staff are actually living (...), weighting these data as is done in respect of New York City ...

(b) To establish two PAIs in respect of persons working in Geneva: (i) one for those residing in Geneva or elsewhere in Switzerland; and (ii) another for those residing in France."

Annex XVI

Table A: Recommended net salary scale for the General Service category in New York

(As at 1 January 1995)

(In United States dollars)

	1	2	3	4	5	6	7	8	9	10	11
GS-7	36 262	37 643	39 024	40 405	41 786	43 167	44 548	45 929	47 310	48 691	50 072
GS-6	32 830	34 076	35 322	36 568	37 814	39 060	40 306	41 552	42 798	44 044	45 290
GS-5	29 697	30 826	31 955	33 084	34 213	35 342	36 471	37 600	38 729	39 858	40 987
GS-4	26 884	27 904	28 924	29 944	30 964	31 984	33 004	34 024	35 044	36 064	37 084
GS-3	24 321	25 248	26 175	27 102	28 029	28 956	29 883	30 810	31 737	32 664	33 591
GS-2	22 016	22 853	23 690	24 527	25 364	26 201	27 028	27 875	28 712	29 549	
GS-1	19 925	20 682	21 439	22 196	22 953	23 710	24 467	25 224	25 981		

Table B: Recommended net salary scale for the Trades and Crafts category in New York

Survey reference month: January 1995

(In United States dollars)

	1	2	3	4	5	6	7
TC-8	43 329	44 716	46 103	47 490	48 877	50 264	51 651
TC-7	40 832	42 139	43 446	44 753	46 060	47 367	48 674
TC-6	38 333	39 560	40 787	42 014	43 241	44 468	45 695
TC-5	35 837	36 984	38 131	39 278	40 425	41 572	42 719
TC-4	33 345	34 412	35 479	36 546	37 613	38 680	39 747
TC-3	30 851	31 838	32 825	33 812	34 799	35 786	36 773
TC-2	28 358	29 265	30 172	31 079	31 986	32 893	33 800
TC-1	25 853	26 680	27 507	28 334	29 161	29 988	30 815

Table C: Recommended net salary scale for the Security Service category in New York

Survey reference month: January 1995

(In United States dollars)

	1	2	3	4	5	6	7	8	9	10	11	12	13
S-7	43 922	45 503	47 084	48 665	50 246	51 827	53 408	54 989	56 570				
S-6	40 919	42 392	43 865	45 338	46 811	48 284	49 757	51 230	52 703				
S-5	37 907	39 272	40 637	42 002	43 367	44 732	46 097	47 462	48 827				
S-4	34 843	36 097	37 351	38 605	39 859	41 113	42 367	43 621	44 875				
S-3	32 726	33 708	34 690	35 672	36 654	37 636	38 618	39 600	40 582	41 564	42 546		
S-2	29 655	30 545	31 435	32 325	33 215	34 105	34 995	35 885	36 775	37 665	38 555	39 445	40 335
S-1	26 577	27 374											

Table D: Recommended net salary scale for the Public Information Assistant and Tour Coordinator/Supervisor category in New York

(As at 1 January 1995)

(In United States dollars)

	I	II	III	IV	V
Tour Coordinator/Supervisor and Briefing Assistant	32 158	33 674	35 190	36 709	38 222
Public Information Assistant II	28 495	29 663	30 831	31 999	33 167
Public Information Assistant I	26 259	27 327			

Table E: Recommended New York Language Teacher net salary scale

(As at 1 January 1995)

(In United States dollars)

1	2	3	4	5	6	7	8	9	10	11	12
37 303	38 512	39 721	40 930	42 139	43 348	44 557	45 766	46 975	48 184	49 393	50 602

Annex XVII

Table A: Recommended net salary scale for the General Service category in Geneva

Survey reference month: June 1995

(In Swiss francs)

	1	2	3	4	5	6	7	8	9	10	11	12
G-7	76 612	79 140	81 668	84 196	86 724	89 252	91 780	94 308	96 836	99 364	101 892	104 420
G-6	69 964	72 273	74 582	76 891	79 200	81 509	83 818	86 127	88 436	90 745	93 054	95 363
G-5	63 885	65 993	68 101	70 209	72 317	74 425	76 533	78 641	80 749	82 857	84 965	87 073
G-4	58 382	60 309	62 236	64 163	66 090	68 017	69 944	71 871	73 798	75 725	77 652	79 579
G-3	53 520	55 286	57 052	58 818	60 584	62 350	64 116	65 882	67 648	69 414	71 180	72 946
G-2	49 117	50 738	52 359	53 980	55 601	57 222	58 843	60 464	62 085	63 706	65 327	66 948
G-1	45 061	46 548	48 035	49 522	51 009	52 496	53 983	55 470	56 957	58 444	59 931	61 418

Table B: Recommended net salary scale for the Language Teachers in Geneva

Survey reference month: June 1995

(In Swiss francs)

1	2	3	4	5	6	7	8	9	10	11	12	13
69 350	71 274	73 198	75 122	77 046	78 970	80 894	82 818	84 742	86 666	88 590	90 514	92 438

Annex XVIII

RECOMMENDED NET SALARY SCALE FOR GENERAL SERVICE AND RELATED CATEGORIES IN ROME AS AT 1 NOVEMBER 1995

(In thousands of Italian lire)

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
GS-7	61 476	64 067	66 658	69 249	71 840	74 431	77 022	79 613	82 204	84 795	87 386	89 977			
GS-6	53 460	55 705	57 950	60 195	62 440	64 685	66 930	69 175	71 420	73 665	75 910	78 155	80 400	82 645	84 890
GS-5	46 483	48 455	50 427	52 399	54 371	56 343	58 315	60 287	62 259	64 231	66 203	68 175	70 147	72 119	74 091
GS-4	41 885	43 597	45 309	47 021	48 733	50 445	52 157	53 869	55 581	57 293	59 005	60 717	62 429	64 141	65 853
GS-3	38 426	39 892	41 357	42 822	44 287	45 752	47 217	48 682	50 147	51 612	53 077	54 542	56 007	57 472	58 937
GS-2	35 910	37 132	38 354	39 576	40 789	42 020	43 242	44 464	45 686	46 908	48 130	49 352	50 574	51 796	53 018
GS-1	33 877	34 881	35 885	36 889	37 893	38 897	39 901	40 905	41 909	42 913	43 917	44 921	45 925	46 929	47 933